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Siemens US deal provokes furore, Page 20

World news

Soviets 'direct torture in Kabul'

Soviet officials are often present during torture sessions in Afghanistan, according to evidence from former prisoners which is contained in a report by the London-based human rights organisation Amnesty International.

The report published today says political prisones are still being regularly tortured by Afghan security forces. Amnesty says many former prisoners state that Soviet officials are present during the torture and often participate in or direct the interrogation, but leave the application of torture to the Afghans. Report, Page 4. Bombing continues, Page 20

Kim Il Sung alive

Kim Il Sung, the North Korean President, quashed reports of his assassination when he appeared at Pyongyang airport to greet visiting President Zhambyn Batmunkh of Mongolia. Page 4

French reforms

French political reforms, including the reshaping of constituencies, were endorsed by the country's Constitutional Council. The Chirac Government reforms had been challenged by Socialists.

Brazilian talks

President Jose Sarney postponed talks with his senior ministers and instead called in Ulysses Guimaraes, leader of the Brazilian Democratic Movement for discussions on a new economic adjustment package. Page 5

Rebel warning

Sri Lanka's Tamil rebels warned residents in the island's northern region that a new military offensive was imminent after the guerrillas rejected a peace formula put forward by Colombo.

Swapo 'raided base'

Namibian nationalist guerrillas (Swapo) said they killed 18 South African soldiers and wounded several more in an attack on a military base in northern Namibia (South West Africa), the official Angolan news agency said.

Sanctions rejected

Lucas Mangope, president of the black South African homeland of Bophuthatswana condemned western sanctions against Pretoria, saying they were slowing the process of social reform.

Cyprus conference

Senior Greek Cypriot officials said they would continue to work for an international conference on the Cyprus problem, an idea which is opposed by the US, as the best way of trying to reunite the divided eastern Mediterranean island. Page 5

Narcotics killing

Gunmen in Bogota shot dead Colonel Jaime Ramirez, the former head of the anti-narcotics police, who had mounted several major operations against Colombia's cocaine traffickers, police said.

Anti-pollution plea

Poland is renewing its efforts to get other Comecon countries to sign a controversial mutual agreement commiting them to pay mutual compensation for pollution of waterways arising from industrial accidents. Page 2

Mozambican exodus

About 200,000 Mozambicans have fled into Malawi in the past six weeks to escape rebels, said the official Mozambique news agency. It also reported that 44 peasants had been hacked to death by rebels in two incidents.

Anti-alcohol drive

Bulgaria announced measures to turn saloons and taverns into coffee shops and snack-bars as part of a national drive against alcohol.

Business summary

Wall St stocks in sharp decline

WALL STREET stocks fell sharply during late trading as caution spread in the wake of the recent insider trading revelations.

By the close of business, the Dow Jones industrial average was down 43.31 at 1,817.21 after being 29.53 lower at 3pm. Sharemarket report, Page 44

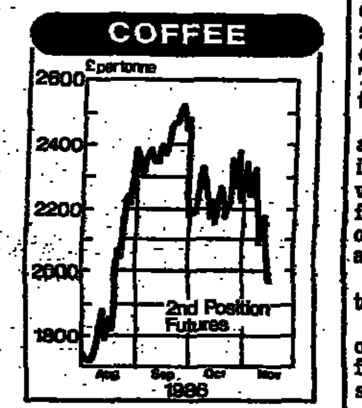
OIL consumption is likely to rise fairly slowly for the rest of this century, putting only moderate upward pressure on prices, according to an unpublished study by the International Energy Agency in Paris. Page 20

AUSTIN ROVER, UK state-owned car maker, next year hopes it will sell at least 27,000 cars in the US – a market it quit in 1980 – giving Britain's balance of payments a $400m boost, said Mr Norman Braman, chairman and major shareholder in Austin Rover Cars of North America. Page 15

LONDON'S Stock Exchange Council advised members to contact the Stock Exchange before they have any dealings with Ivan Boesky, the man at the centre of Wall Street's latest insider trading scandal. Page 13

GIORGIO ARMANI, Milan fashion designer, is planning to open 150 Emporio Armani outlets in the US and 30 new shops in Europe. Page 21

COFFEE: London futures market moved higher in the morning but resumed its slide after a weaker-



than-expected opening in New York. The January position fell £28.50 to £1,970.50 a tonne, giving a fall on the week of £74.50. Page 36

GOLD rose $0.125 to $391.25 on the London bullion market. It also rose in Zurich to $390.95 from $389.25. Page 36

In New York the Comex December settlement was $394.50.

STERLING fell in London to $1.4235 ($1.4285). It also fell to DM 2.8650 (DM 2.8750); Y231.50 (Y232.50); SFr 2.3825 (SFr 2.3925), and FFr 9.3800 (FFr 9.4175). The pound's exchange rate index fell to 68.2 from 68.5 Page 37

DOLLAR fell in London to DM 2.0125 (DM 2.0130). It also fell to Y162.70 (Y162.75) and FFr 6.5900 (FFr 6.5925), but was unchanged at SFr 1.6740. On Bank of England figures the dollar's exchange rate index was unchanged at 111.2. Page 37

TOKYO: Unfavourable influences receded and share prices staged a moderate rally. The Nikkei average added 65.38 to 17,273.53. Page 44

LONDON: Share prices were again lower on worries about Wall Street and the Boesky affair. The FT-SE 100 index fell 11.1 to 1,617.5 and the FT Ordinary index lost 6.9 to 1,271.6. Page 44

CHINA'S foreign investment fell further in the first nine months to $2.4bn, down 42 per cent on last year. Page 6

SIEMENS, West German electrical and telecommunications group, planned to pay an unchanged DM 12 dividend for the year ending in September 1986. Page 21

NIXDORF, West German computer company, boosted turnover by 17 per cent to more than DM 2.8bn ($1.4bn) in the first nine months of 1986. Page 21

Action Directe says it killed Renault chief

BY PAUL BETTS AND DAVID HOUSEGO IN PARIS

ACTION DIRECTE, the French left-wing terrorist group with links to other European terrorist movements, yesterday claimed responsibility for the murder of Mr Georges Besse, the chairman of Renault, the French state-owned car group.

French police said that several witnesses had come forward to confirm that two young women in their twenties had shot Mr Besse at close quarters a short distance from his Paris house on Monday night. But the police appeared to have no clues to the identity of the terrorists.

The killing of one of the most prominent French industrialists presents a major test for the French Government's anti-terrorist policies at a time when the security forces have yet to arrest any of the extremists involved in the wave of terrorist bombings in September which killed 13 people and wounded 250 others.

The French Government is expected to decide quickly on a successor to Mr Besse as head of Renault. Among candidates are Mr Jean Gandois, the current chairman of the nationalised Pechiney aluminium and metals group, and Mr Raymond Levy, the former head of the Usinor steel group. Mr Jacques Mayoux, the former chairman of the Société Générale bank, has also been mentioned as a possible successor to Mr Besse.

The decision could be announced at a Renault board meeting next Tuesday, although an extraordinary meeting of the car group's board might be held earlier. The new appointment would be formally ratified by the Cabinet of Mr Jacques Chirac next Wednesday.

Tributes to Mr Besse poured in all day from politicians, business leaders and unions, including the Communist-led CGT. An official funeral service for Mr Besse is to be held at the Invalides on Friday. Mr André Giraud, Defence Minister and the godfather of one of his five children, will give the main address.

Action Directe claimed responsibility for the murder in a statement left lying in a Paris Metro station. The statement was signed "Commando Pierre Overney" – a reference to a Maoist worker who was killed in rioting outside Renault's main Paris plant 14 years ago by a Renault security guard, who was himself later killed by left-wing extremists.

Since May, Action Directe has made clear that its principal targets would be industrialists carrying out major restructurings in their companies and police officers.

Mr Jacques Maisonrouge, the former head of IBM Europe recently appointed by the Government as the top civil servant in the French Industry Ministry, has disclosed that he believed he was on the Action Directe hit list.

The Government faces a major test in its anti-terrorist programme because Action Directe – which announced that it had merged with the West German Red Army Faction early last year – is now believed to be well organised.

Background and analysis, Page 3

Mr Georges Besse

Thatcher rules out EMS entry before next general election

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, has firmly ruled out further consideration of full UK membership of the European Monetary System until after the next general election.

She said the British economy was not "quite strong enough yet" for EMS. "We are getting stronger and one day we will go in," she added, saying that she would expect to reconsider the issue after the election.

Mrs Thatcher's explicit statement of EMS her doubts about membership contrast with the support for entry expressed by the British Treasury, the Foreign Office and the Bank of England.

Her comments were made during an hour long interview with the FT in her Downing Street study. She was at her most confident, looking forward to at least another term in office and "getting rid of socialism as a second force."

Mrs Thatcher must go to the electorate before June 1988.

Mrs Thatcher stressed throughout that she wanted to join the EMS from a position of "I want to be absolutely certain that there can be no repetition of what happened before, when we came out of the snake," (the linking of EEC currencies which sterling left in 1972 after a couple of months). "When we go in, we will go in strong and stay in." She repeatedly said that entry would not be an easy or a soft option.

Mrs Thatcher also argued that other EEC countries should reconsider the rules, particularly the retention of exchange controls in most cases.

She expressed concern about "hitching our wagon to a D-Mark standard and all the problems we used to have with devaluation if it comes." She thought the pound would be tested and that would mean "swinging up interest rates very sharply" since "there is no way you can intervene to any great extent."

Mrs Thatcher thought the pound had gone low enough against the D-Mark but did not repeat what Mr Nigel Lawson, the Chancellor of the Exchequer, has said about raising interest rates if the pound comes under pressure. She underlined her dislike of increasing interest rates and market intervention. "We may believe it (the pound) has gone enough but it is what the market believes and you know what the market is: 95 per cent of the movement is speculation and the other 5 per cent is trade."

Mrs Thatcher denied that her visit to Washington last week for talks with President Ronald Reagan was designed to reaffirm US agreement for the sale of Trident nuclear missiles to Britain.

The Prime Minister conceded, however, that following the discussion of possible deep cuts in strategic missiles at the Reykjavik summit "people were casting doubt" on the issue. "I never had any doubt about it," said Mrs Thatcher. "We negotiated there very thoroughly."

Mrs Thatcher said that she was putting deep cuts in strategic weapons at the end of her list of priorities. Her primary concerns were with separating the negotiation of an agreement on Intermediate Nuclear Forces (INF) from the argument between the US and the Soviet Union over Washington's SDI or Star Wars programme.

The Prime Minister stressed, however, that no agreements were possible without adequate verification procedures. This, she maintained, was very difficult and it would take a long time to sort out effective procedures.

Mrs Thatcher firmly maintained that no split had developed either between herself and President Reagan or between Europe and the US Administration following the Reykjavik summit and other, more controversial, US foreign policy initiatives.

On other domestic issues Mrs Thatcher expressed caution about the scale of any tax cuts. She argued that the higher public spending planned for next year than "we wished" must be "honestly financed" as in 1981. She underlined the public borrowing target for next year of 1¾ per cent of gross domestic product.

Mrs Thatcher said tax reform was still on the agenda. "At the moment the most urgent thing is people at the bottom because I think they pay far too much." She said the feeling of the country was that further cuts in the higher marginal rates were not the top priority

Feature: Page 18

Fresh move by France to ease currency curbs

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government yesterday unveiled a further relaxation of its foreign exchange controls and a new initiative to stabilise the international currency markets.

Mr Edouard Balladur, Minister of Finance and the Economy, announced the end of "domiciliation," the bureaucratic controls on companies' trade-linked transactions first imposed in 1968. He also announced further relaxation of the currency controls on French citizens travelling overseas.

Banks are also to be permitted to make French franc loans to non-residents, but subject to restrictions which are expected to prevent any growth in the Eurofranc loans market already in existence outside France.

Mr Balladur said the aim was mainly to allow French banks to repatriate to Paris operations which they now carry out in London. There will be limits designed to tie franc lending to non-residents to Eurofranc assets held abroad.

The main planks of French exchange controls – the block on complete freedom of franc lending to non-residents and the block on French residents holding bank accounts abroad – remain untouched by the latest measures, which are the fourth batch of exchange controls removed by the Government since it came to power in March this year.

The Government is not expected to abandon exchange controls entirely until it is more confident about the stability of the franc's exchange rate against the D-Mark within the European Monetary System.

The exchange control relaxation should bring France immediately into line with the measures agreed by finance ministers in Brussels on Monday intended to liberalise all forms of trade credit, transactions in unquoted securities, and unit trusts.

Mr Balladur's package goes beyond the EEC moves in respect of the French franc loans to non-residents – albeit within limits. Those might be regarded as purely financial transactions, which are only supposed to be compulsorily liberalised under the next phase of EEC measures.

Mr Balladur's efforts to promote international monetary co-operation, with automatic intervention by central banks to stabilise exchange rates within specified reference zones, are therefore seen as playing an important part in his aim to remove exchange controls entirely.

Mr Balladur said yesterday that he was willing to join the recent Japanese-American exchange rate agreement and planned to make concrete proposals to partner countries very soon.

"The idea of using zones of reference for exchange rates is no longer a distant one" he said. "The moment seems to me to have come for taking a decisive step towards the reconstruction of the international monetary system."

Speaking after the half-yearly meeting of the National Credit council, Mr Balladur confirmed a

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Yves St Laurent acquires Charles of the Ritz

By Paul Betts in Paris

THE LEADING French haute couture house of Yves Saint Laurent treated itself yesterday to a $630m birthday present by acquiring Charles of the Ritz, the fashionable cosmetics and perfume company owned by the US Squibb group.

The French fashion designer and his partner Mr Pierre Berge had long cherished the idea of taking over Charles of the Ritz, which owns the highly successful line of Yves Saint Laurent perfumes, including the Opium brand. This ambition was fulfilled yesterday on the 25th anniversary of the foundation of the house of Yves Saint Laurent with the help of a group of bankers and Mr Carlo De Benedetti, the Italian financier and entrepreneur who recently became a partner in the fashion house.

The transaction is also the third largest US acquisition by a French group after the $2.5bn takeover of Texasgulf by Elf Aquitaine and the recent $1.06bn takeover of Big Three Industries of Houston by L'Air Liquide.

Yves Saint Laurent's hopes of gaining control of Charles of the Ritz were raised this summer when Squibb said it wanted to shed its cosmetics and perfume subsidiary. To mount the takeover against Japanese and American competition, Yves Saint Laurent teamed up with Cerus, the new French holding company of Mr De Benedetti which has just bought a 25 per cent stake in the French fashion house for FFr 255m ($39m).

Yves Saint Laurent is believed to have made the best offer for Charles of the Ritz against rival bids from Avon Products and Shiseido of Japan. The French group and its Italian partner are being backed in their acquisition by a group of banks including Credit Suisse First Boston, Banque Nationale de Paris and Banque Indosuez.

Yves Saint Laurent and Mr Carlo De Benedetti's main holding company CIR plan to set up a new holding company to control the US acquisition. The new company YSL-CIR will have a capital of £175m and will be 85.7 per cent owned by Yves Saint Laurent and 14.3 per cent held by CIR International.

The group of banks backing the transaction will advance $465m in medium and short-term credits and other facilities to complete the deal.

Charles Hodgson adds from New York: The sale of Charles of the Ritz is the latest step in a long-term

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Armani plans expansion, Page 21

Goldsmith defends his role to Congress as a corporate raider

BY WILLIAM HALL IN WASHINGTON

SIR JAMES GOLDSMITH, the Anglo-French financier who has mounted a $5.3bn bid for control of Goodyear, the world's biggest tyre manufacturer, yesterday reacted angrily to allegations that he was an asset stripper and said that he had breathed "vigorous life" into several companies with which he had been associated.

Sir James, one of the most prominent corporate raiders prowling Wall Street, went to considerable lengths in testimony before a House of Representatives sub-committee yesterday to dispute the widely held view that corporate raiders like himself were plundering America's prize corporate assets.

He said he had become involved in Goodyear because it "had strayed into industries about which it knew nothing, jeopardising the very heart of its business, competitive position and the security of all those associated with it."

He said that Goodyear management had lost its way and was particularly critical of its plan to build a 300,000 barrel a day pipeline linking California and Texas, which he said was "a wholly lunatic idea," likening it to a "white elephant crossing the country."

But Mr, Robert Mercer, Goodyear chief executive, who was also testifying, hit back, saying the Government should put restrictions on unrestrained takeover activity to protect US companies.

"While there is still time for our nation, I urge you to put some reasonable curbs on the activity that is sapping more and more of our industrial strength", Mr, Mercer said.

The Goodyear chief executive said that anyone seeking to take control of a company should be required to reveal his intentions at the start of the takeover bid, rather than after a significant portion of the company's stock has been acquired. He also said anyone who gets five per cent or more of a company's shares should be required to keep that position for at least one year.

Sir James took particular exception to repeated allegations from a largely hostile audience that his activities were detrimental to America. When Congressman John Seiberling of Ohio, the grandson of Goodyear's founder, questioned his motives, Sir James snapped back: "Check your facts before jumping to yet another prejudiced conclusion."

He listed several Ohio companies, ranging from the US Playing Card Corportion to the Heekin Can Company, which he had acquired and subsequently sold as part of an earlier acquisition of the Akron-based Diamond International Corporation.

They had been sold to investor groups and Sir James said that their sales, profits and employment were all up substantially under their new owners.

"That is what happens when companies are liberated from tired conglomerates. Up and down the country, hundreds of erstwhile stagnant divisions of large bureaucratic corporations have been freed," said Sir James, who stressed that corporate raiders created prosperity

Sir James said that he felt as strongly in his views about corporate restructuring as Congressman Seiberling felt about Goodyear.

CONTENTS

Two British airlines apply for range of new routes to Europe

Two UK independent airlines, Air Europe and British Caledonian, are seeking *rights to fly* scheduled services between Gatwick and a range of *European destinations*, as a test of the newly-emerging competitive situation in European air transport, writes Michael Donne, Aerospace Correspondent.

Air Europe has applied to the Civil Aviation Authority *for rights to Paris*, Amsterdam, Frankfurt, Geneva, Brussels, Zurich, Dusseldorf, Milan, Rome and Copenhagen. British Caledonian is applying to fly to Copenhagen, Oslo, Stockholm, Athens and Rome.

Mr Harry Goodman, chairman *of International Leisure* Group, the parent of Air Europe, said yesterday that its route bid was aimed at bringing the efficiencies of charter airline operations to traditional scheduled routes.

Air Europe services would be based on the economies of *high aircraft utilisation*, strong marketing and high standards of service. *Detailed* fares were not being revealed just yet, but they would be 15 per cent cheaper at least than existing Club Class.

Mr Goodman stressed that both *ILG and Air Europe* were convinced not only that the licences would be awarded by the CAA but also that the foreign governments would be obliged eventually to concede the rights to Air *Europe to serve their countries.*

"There is no half-way house about our applications," he said. "We want the lot, and we are prepared eventually to go to the European Court if we are blocked, and go to the Court again and again and again, until we *get our way."*

Air Europe will expand its *current fleet of two Boeing* 737-200s and three Boeing 757s by the addition of four 737-300s by next spring and two further 737-300s in 1988.

The new *scheduled routes* would add up to 700 new jobs in *Air Europe at Gatwick.*

British Caledonian said its applications were in fact renewals of bids made some time ago for the routes *involved*, but which were rejected by the European *governments concerned.*

Mr Alastair Pugh, vice chairman of BCal, *said that* the recent UK initiatives with the EEC transport ministers failed in gaining improved access for British airlines.

"BCal, nevertheless, intends to continue to compete vigorously for route opportunities in Europe for the development of our network hub at Gatwick."

He said that BCal's bid was accompanied by plans to *apply* cheap fares on the routes, at rates substantially below the *normal economy* return fares. One-Eleven aircraft would be used, *but* eventually the new A-320 Airbus would be employed.

Flight plans take off into heavy weather

Tim Dickson on the European seats carve-up

FOR THE past four Mondays an Aer Lingus flight has left Dublin at 9 am, set down a group of Irish politicians and civil servants at Brussels' Zaventem airport then taken off again with the remainder of its passengers for the ultimate destination, Milan.

Given the specific requests for a Monday morning service *to Belgium by Irish passengers* heading *for* the EEC—and given *that Aer Lingus's direct* flight from Dublin to Milan has *had large numbers of empty* seats during the winter months —*this "triangular" route* would appear *to* be a sensible solution for all concerned.

But under the current government - *to* - government regulations governing EEC airlines, putting on a new schedule like this is seldom straightforward.

The plan has already run into opposition from the Belgium Government and its state airline Sabena, who claim that it contravenes a 1981 agreement between Belgium and Ireland carving up the number of seats each airline can sell on the Dublin to Brussels route.

As things stand, Sabena is *understood to have agreed that* the new service should operate until March but *only if* Aer Lingus considers concessions on its side which would even out what the Belgium carrier sees as a new competitive disadvantage.

While *it* is not clear that Aer Lingus's plans would automatically be *sanctioned under* the modestly reformist British proposals for EEC aviation currently before the Community's Transport Ministers, the case illustrates the sort of legal restrictions which those attempting to make European airlines more efficient hope will one day be *swept away.*

The major British ideas on which agreement *foundered* last week are for more flexible conditions on discount and deep discount fares, an end to rigid *50/50 bilateral* capacity sharing deals, and extra scope for airlines to introduce new *services* on existing routes.

In the context of market access, Ireland has consistently *raised the question of "fifth* freedom rights" permission for *aircraft to make intermediate* stops, setting down and picking *up passengers en route* to a final destination.

As a small country on the periphery of Europe with a relatively limited number of aircraft the issue is central to Dublin's ultimate approval of any liberalising package.

Ireland's Transport Minister, Mr *Jim* Mitchell, has nevertheless indicated that as an interim measure he would be prepared to accept "combination *of points*"—Euro-jargon for the automatic right solely to set passengers down at an intermediate stop. This is one of the principles at stake *in the dispute* over the Brussels-Dublin Monday morning service.

Until recently Irish passengers wishing to fly to *Brussels* on Monday morning had to board an *Aer Lingus* flight to Amsterdam, then catch a connecting KLM flight to the *Belgian* capital.

The inspiration for the new direct service to Brussels was ironically only provided when KLM changed its schedule for domestic reasons, unwittingly stranding the Brussels-bound Irish passengers half-way to their destination and leading to direct passenger demands to Aer Lingus to find an alternative.

An *Aer Lingus spokesman* claimed yesterday that the *"new" service is thus aimed* at existing traffic which Sabena would not *in any case be in* a position to capture.

He explained that the new arrangement enables Aer Lingus to use the Milan-bound aircraft more efficiently, with consequent savings in fuel costs and wages for crews.

Sabena, however, counters that the extra flight contravenes the agreement signed by the Irish and Belgian Governments which lays down schedules for the Brussels-Dublin route on a roughly 60/40 seat sharing basis in favour of the Irish.

In *winter it gives Aer Lingus* five flights a week, against Sabena's three, with six *for* the Irish airline in the summer and *three for* Sabena.

The deal does not cover fares, *which are negotiated separately* and are identical for both carriers.

Sabena claims that the Monday *morning flight* will push the Aer Lingus share of seats from around 60 per cent at the moment to nearly 75 per cent of the total. Sabena is looking for compensation in the form of concessions elsewhere.

Under the 1981 deal between Ireland and Belgium there is no provision as in *some other* bilateral agreements between airlines *for* "pooling" the revenue from tickets on a *negotiated basis.*

The Belgian airline initially threatened to prevent the Monday morning service going ahead but changed its mind when Aer Lingus pointed out that bookings had already been taken.

An uneasy truce now exists. A Sabena spokesman said last night that there had not been proper consultation on what represents a change to the 1981 *agreement.* "The flight is going ahead pending negotiations *between the Belgian and Irish* aviation authorities," he said.

Turkey-US accord nearer on defence and economic aid

BY DAVID BARCHARD IN ANKARA

TURKEY AND the US appear to be nearing agreement on a new defence and economic cooperation agreement (DECA), *after* 14 months of sometimes acrimonious bargaining, but on *terms which* fall far short of Ankara's original expectations.

The last five-year agreement expired last December but it remains in force *until* a new one is completed. Turkey has been pressing for improved terms for military and economic help, including a medium term guarante intended to protect aid programmes from last-minute changes by the US Congress. The US position is that such a guarantee is constitutionally imposible to give.

Last week, however, Mr Richard Perle, the US Deputy Secretary of State, met Prime Minister Turgut Ozal and is reported to have undertaken that the US would try to provide more medium term commercial credit and to convince the other Nato members to do the same.

Turkey is facing mounting *difficulties* with its balance of payments after the collapse of *some of its* best *export markets* in the Middle East. It seems increasingly *probable* that *the* Government will have to approach the IMF next spring to negotiate the first stand-by agreement *for three* years.

However, Mr Perle is also believed to have promised to supply extra weapons and military equipment from surplus stocks, and a possible change in the interest charged on the $1.6bn Turkey owes on its foreign military sales backlog of debts. Mr Perle is reported to have proposed a reduction which would save Turkey of $800m in debt repayment.

The US *wants Ankara* to accept a "side letter" to the formal DECA treaty. Under this arrangement, the body of the treaty would continue virtually as at present, while the new US offers would be contained in the letter which would be presented by Mr George Shultz, the US Secretary of State, or the Turkish Foreign Minister, Mr Vahit Halefoglu, during a visit to Washington early in the New Year.

It may take the Turks some time to make up their minds whether to accept this latest offer. Turkey is a key *strategic* ally of the US and electronic intelligence operations on Turkish soil play a major part in US intelligence-gathering about the Soviet Union. But the negotiations of the past year seem to suggest that *Turkey's bargaining power* is much less than it believed at *the outset.*

Denmark plans EEC drive to curb pollution

By Hilary Barnes in Copenhagen

DENMARK is to launch a plan in the EEC to curb pollution, *according to* Mrs Britta Schall Holberg, Minister of Agriculture.

She said the scheme would be based on Denmark's own plan to curb the pollution of Danish coastal waters by nitrogen and phosphorous wastes.

A resolution in the Folketing yesterday called on the Government to submit a plan by February 1 next year for halving the emission of nitrogen wastes from agriculture, *industry and households over the* next three years and to cut phosphorous wastes by 80 per cent over the same period.

The Folketing's action follows the discovery this autumn of areas of coastal waters in which life was suffocated by *de-oxygenation*

UK 'determined' on air fares

BY TIM DICKSON IN BRUSSELS

MR MICHAEL SPICER, Britain's Aviation Minister, yesterday reaffirmed Britain's determination to *win agreement* on its airline liberalisation proposals before the end of *the year.*

In a markedly more upbeat mood than at the end of the last *unsuccessful meeting of EEC transport* ministers earlier this month, he told journalists in Brussels yesterday that there were tentative signs that "obstructive" member states *might be moving towards* Britain's position.

This month's EEC transport *council ended in disarray when only* six member states could agree on British plans for relaxing the restrictive conditions on discount and deep discount fares. However, hopes were raised by the fact that there seemed to be a clear majority in favour of the other two elements of the "package" – *outlawing* those bilateral deals between governments which enable airlines to carve up seats on a particular route on a 50-50 basis and allowing air*lines to challenge established* operators on existing routes.

Mr Spicer and Mr John Moore, *UK* Transport Minister, will be *hoping* to capitalise on any change in *sentiment in the next couple of* weeks *during* a series of bilateral negotiations aimed at convincing the six countries against reform of the merits of their arguments.

Mr Spicer also went on record for *the first time yesterday* to indicate that special transitional measures could be applied to Greece, one of the member states most hostile to more airline competition. Addressing a lunch in Brussels, he said: "We clearly cannot have the development of *Europe held up because of* individual and specific practical difficulties in, say, the Greek islands. We are ready to support the necessary derogations."

He added later that at present he could see no circumstances in *which such exemptions could* legitimately be granted to other member states.

Mr Spicer, however, also repeated that the present proposals were Britain's "bottom line" and that there was *no room for further compromise.* Ministers are known to *have* been hurt by the bitter criticisms of some consumer groups, who have claimed that the ideas now on the table are a "sell out" to airline customers and fall far short *of radical reform.*

The success or otherwise of negotiations in the next few days will determine whether Britain puts the airlines issue on the agenda of the December Transport Council, or indeed *whether* it will be formally discussed at the EEC summit early next month.

Spicer: alternative course

Poles seek Comecon pact on pollution compensation

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND IS renewing its efforts to persuade other Comecon countries to sign a controversial agreement committing them to pay mutual compensation for *pollution of waterways* arising from industrial accidents.

Mr *Jerzy Urban, the Government* spokesman, said Poland first made the suggestion in 1984. It had been given new impetus by an oil spill in Czechoslovakia last week when 50 tonnes of the high sulphur fuel escaped into the river Oder which runs through Polish territory.

"A commission is assessing the cost of the damages," Mr Urban said, but he declined to *say whether* Poland would demand compensation. However, he implicitly criticised the Czechoslovaks for not warning Poland about the accident by saying that warning systems in such cases were inadequate.

In the summer Poland made no claim on the Soviet Union for damages arising from the Chernobyl nuclear disaster but did make clear its concern about the lack of warning.

- Poland's hard currency surplus after 10 months of this year amounted to $737m, latest Government figures show. Hard currency exports were 2.7 per cent down on the same period last year, while hard currency imports rose by 3.2 per cent and industrial output by 4.5 per cent.

French to pay more for health services

BY DAVID HOUSEGO IN PARIS

AN INCREASE in hospital charges payable by patients and the removal of most vitamins from the list of subsidised medicines were among the measures announced by the French Government yesterday to achieve FFr 9.3bn (£1bn) of savings in health spending.

The measures announced by Mr Philippe Seguin, the Minister of Social Security and Employment, are intended as a prudent rationalisation of health expenditure which in no way calls into question the principle of the social security system.

Defying members of his own party who would like a more fundamental review of social security spending, Mr Seguin emphasised that the measures had been adopted after the closest consultation with representatives of employers and union organisations.

In France, the social security system is run as a partnership by both sides of industry—though repeated deficits in the social security funds have forced growing government intervention.

Mr Seguin said that the spending cuts had been taken in the context that health spending had risen by 9.9 per cent last year and would rise a further 5.2 per cent this year. He said that the national health insurance fund which is funded largely out of social security contributions was faced with a deficit of FFr 20.9bn over the two years 1986-87.

He blamed the upward climb in health spending on a steady increase over 10 years in exemptions from prescription payments and in an over-indulgence by patients in medicines.

Under the measures announced yesterday patients will be expected to pay FFr 25 (£2.65) a day compared with FFr 23 (£2.44) currently as living expenses in hospital. The Government had earlier sought to raise the charge to FFr 31 (£3.29) but now intends to initiate an inquiry into relating patinet charges to the type and length of treatment.

As well as removing most vitamins from the list of state subsidised medicines, the Government also announced patients will no longer be able to collect refunds on non-essential, "reassuring" medicines.

Among other changes decided by the Government, or agreed with unions and employers, are reductions in sickness benefit in certain circumstances, the abolition of free postage in correspondence with the social security authorities and a reduction of exemptions on prescription payments for patients claiming a long succession of illnesses.

Quick decision likely on Besse successor

BY PAUL BETTS IN PARIS

THE FRENCH Government is expected to move swiftly in naming a successor to Mr Georges Besse, chairman of the state-owned Renault motor group killed by terrorists on Monday night, although there is no immediately obvious candidate.

The company was in a state of shock yesterday and officials claimed that the problem of Mr Besse's succession had not as yet become an issue inside the group. A board meeting is due to take place next Tuesday, but an extraordinary meeting could be called before-hand to approve the nomination of a new chairman which would subsequently be formally ratified by the French Cabinet which meets regularly on Wednesdays.

The choice will be crucial for the group which is in the midst of a delicate and complex restructuring programme. Mr Besse was aiming to return the company to the black by the end of next year, after a record Fr 12.5bn (£1.3bn) loss in 1984, a further loss of FFr 10.9bn last year and an expected FFr 5bn this year.

Mr Aime Jardon, Renault's technical director and deputy managing director, is acting as interim chairman. Meanwhile, the company is adopting "a business as usual" attitude and continuing with the programme of its former chairman. It will go ahead with a meeting of its central work council on Friday to review the employment situation in the French car division. Renault is expected to announce at that meeting a further series of jobs cuts involving 5,000 people.

Industry and political observers expect the Government to select another outsider to succeed Mr Besse.

A name frequently mentioned in the past 24 hours is that of Mr Jean Gandois, currently chairman of the Pechiney aluminium and metals group which Mr Besse also headed before being appointed to Renault. Like Mr Besse, Mr Gandois is a leading trouble-shooter in French industry. Moreover, he is also known to be close to the neo-Gaullist RPR party of Mr Jacques Chirac, the French prime minister.

However, Mr Gandois does not appear to have been approached so far and in any case his eventual move from Pechiney would pose a serious problem for the aluminium group. He only recently took over at Pechiney, which has had four different chairmen in the past four years, and has been working on defining a strategy for the company.

Other possible outsiders mentioned are Mr Raymond Levy, former head of the Usinor steel group who was dropped by the former Socialist administration, and Mr Jacques Mayoux, former chairman of the Societe Generale bank and also a former steel industry chief executive.

The names of some insiders have also been mentioned. One possibility is Mr Philippe Gras, the tough head of Renault Vehicules Industriels (RVI), the group's large truck subsidiary.

Another, although unlikely, contender is Mr Pierre Semerena the former head of Renault's car division and a former head of the truck subsidiary. However, Mr Semerena is regarded to be too closely linked with Mr Bernard Hanon, the Renault chairman forced out by the former Socialist Government to make way for Mr Besse in January 1985.

Terrorist group's range of targets grows steadily wider

BY DAVID HOUSEGO

ACTION DIRECTE, the French terrorist group which yesterday claimed responsibility for the murder of Mr Georges Besse, has been involved in at least three other recent assassination attempts in France and in numerous bomb attacks on public buildings.

Since early last year it has had formal links with the West German terrorist group, the Red Army Faction, and close ties with similar movements in Belgium and Italy. Its targets have included a range of international institutions and multinational companies in Paris, defence industries, military officers and more recently businessmen—in other words organisations or people symbolic of "Western imperialism."

French police believe that in the summer they uncovered one wing of the movement when they caught Andre Olivier, one of its leaders, in Lyons. His arrest and the discovery of a mass of documents in his flat led to the capture of 12 other members.

But the more extreme "international wing," which has forged links with other European terrorist movements, so far seems to have eluded investigators.

Action Directe's shift to political assassinations occurred in early 1985 at about the same time that it "merged" with the Red Army Faction. It then murdered General Rene Audran, the head of equipment purchasing in the French armed forces.

Since then, it has made unsuccessful attacks on a senior military officer and in April against Mr Guy Brana, the vice-chairman of the French employers' association. The attack on Mr Brana marked a further shift in strategy towards including prominent businessmen.

Among institutions and companies that have been the target of bomb attacks have been Peugeot, Thomson, Pechiney, and the OECD, IMF, Israeli nd South African buildings in Paris.

Statements by Action Directe have been couched in a Marxist jargon of "imperialism" and "oppressive forces." Though Action Direction was believed at one time to have provided logistical support to the Lebanese Revolutionary Armed Faction group responsible for the September bomb attacks in Paris, its links with Middle East terrorist groups are unclear.

Nato faces plea on talks over troops

MR VICTOR KARPOV, chief Soviet negotiator at the Geneva arms talks, said yesterday that the Warsaw Pact was about to issue an appeal to Nato for direct contacts on limiting and reducing conventional forces in Europe, Reuter reports from Moscow.

The appeal would be issued following yesterday's previously unannounced meeting in Sofia of a special Pact working group. This had been set up to study ways to implement proposals put to the West last June on sweeping cuts in the armies and conventional weaponry of the two blocs in Europe.

He said there had been no reply from Nato to the June proposals issued after a Warsaw Pact summit meeting in Budapest, and Western officials simply said they were still being studied.

The proposals suggested mutual reductions in land and air forces as well as of tactical nuclear weaponry by the two blocs, starting with troop reductions on both sides of from 100,000 to 150,000 men.

In recent weeks, Soviet officials have insisted that the proposals if implemented would help Western European countries overcome their fears of any total withdrawal of US medium-range missiles from Europe.

Bonn cool to taking new sanctions against Syria

BY DAVID MARSH IN BONN

THE WEST GERMAN Government is damping down expectations that it will decide any new sanctions against Syria, whatever the outcome of a trial of alleged terrorists currently under way in West Berlin.

Bonn has said its attitude towards Damascus will depend on whether conclusive evidence comes to light in the trial of Syrian complicity in a March bombing in Berlin. The proceedings started on Monday, and a verdict is expected on November 24.

Officials said yesterday it was unlikely that West Germany would go much further than its actions decided along with 11 of the 12 EEC members on November 10. The Community, with the exception of Greece, then agreed to ban all new arms sales to Syria and to suspend high level official contacts. This fell well short of measures sought by Britain to back up its breaking of diplomatic relations with Syria as a result of the latter's involvement in the attempted blowing up of an El Al airliner at Heathrow Airport last April.

The West Berlin trial involves two Jordanians accused of planting explosives at the West Berlin offices of the German-Arab Society.

One of the defendants, Mr Ahmed Hasi, is the brother of Nezar Hindawi, who was jailed for 45 years in London last month after being found guilty of the El Al bomb attempt. Mr Hasi, in contradictory statements in court on Monday, first retracted an earlier confession to police and then said he was guilty after all of the bombing of the society's offices.

However, he refused to confirm his earlier statement to police that explosives had been supplied by the Syrian embassy in East Berlin.

Cypriots in peace pledge

BY ANDRIANA IERODIACONOU IN ATHENS

SENIOR Greek-Cypriot officials said in Athens yesterday that they would continue to work for an international conference on the Cyprus problem—an idea opposed by the US — as the best way of trying to reunite the divided eastern Mediterranean island.

The officials were accompanying Mr Spyros Kyprianou, the Cypriot President, who arrived in Athens to brief the Greek Government on the results of a visit to Nicosia 10 days ago by two special UN envoys concerning the Cyprus problem.

The UN officials, who also travelled to Ankara and Athens, are reported to have informed the Cypriot Government that soundings of Security Council members by the UN Secretary-General, Mr Javier Perez de Cuellar, had revealed that the idea of an international conference on Cyprus was not practicable.

The idea is strongly backed by the Soviet Union. It is opposed by the US on the grounds that an international conference would give Moscow an unwelcome role in the settling of the Cyprus problem.

Industry urges action on Irish public deficits

BY HUGH CARNEGY IN DUBLIN

THIS YEAR has been "a year of crisis" for Irish industry and the Government must act quickly to control rising public deficits and debts to restore expansion of output and employment, the Confederation of Irish Industry (CII) said yesterday.

In its submission to the Fine Gael-Labour coalition on the 1987 budget due in January, the CII said manufacturing output in 1986 would be no higher than last year, while manufacturing employment was set to fall by about 9,000 from 185,000 between mid-1986 and mid-1987. Meanwhile, manufacturing investment was stagnant.

This situation in large measure reflected the high current budget deficit this year, projected at about I£1.5bn (£1.4bn), or 8.5 per cent of Gross National Product, and the total national debt, which at the end of September amounted to the equivalent of 145 per cent of GNP.

The CII recommended cutting the deficit initially by I£400m, or 2.5 per cent of GNP, a year over two years, followed by similar measures until the deficit was eliminated. A similar drastic adjustment had been successfully achieved in Denmark since 1982, it said.

The CII's recipe concentrates on public expenditure cuts of more than I£300m in the first year. The coalition is talking of a similar figure but such heavy cuts have always been ducked in the past and are bound to meet resistance in the public sector and from trade unions.

Irish industry suffered badly this year from falling competitiveness caused by the weakness of sterling and the dollar, its major trading currencies, which pushed up domestic interest rates.

The CII said Ireland should stay in the European Monetary System, despite the difficulties caused by trading heavily in currencies outside it. But companies should be allowed to borrow in European currency units with exchange risks government-guaranteed until Irish interest rates converge once more with European averages.

Other measures recommended by the CII include private investment in state enterprises, cuts in high electricity and telecommunications charges and a one-year suspension of social insurance payments on new employees.

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OVERSEAS NEWS

North Korea leader's reappearance fails to quell speculation

BY STEVEN BUTLER IN SEOUL

THE public appearance of President Kim Il Sung of North Korea at Pyongyang airport yesterday to greet visiting President Zhambyn Batmunkah of Mongolia has failed to quell speculation about events in his rigidly controlled, closed country.

Reports of his death, including the statement on Monday by the South Korean Defence Minister that loudspeaker broadcasts from North Korea had said Mr Kim had been shot and killed aroused speculation that he had been assassinated by dissident factions in the military.

The loudspeaker reports continued until yesterday, the minister said, and later included an announcement that Mr O Jin U, the North Korean Defence Minister, had taken control of the Government, and that a mutiny had taken place in an un-named North Korean army unit.

Analysts of North Korean affairs continued to be puzzled by the broadcasts, apparently aimed at the South and clearly at variance from North Korean radio news broadcasts, which claimed that all was normal in Pyongyang.

No independent confirmation of the loudspeaker broadcasts was available from US military officials on the demilitarised zone between the two Koreas.

Despite North Korean accusations of deceit, it is generally accepted in Seoul that the South Koreans accurately reported the contents of the broadcasts, leaving two possible explanations: that the broadcasts are the result of a severe power struggle involving the North Korean military, or that they are part of an elaborate disinformation campaign.

Speculation of trouble within the military has been fuelled by the failure of Mr O Jin U, to appear at recent public functions.

Diplomats are suspicious of this theory, however, because of the lack of any prior evidence that a serious problem had emerged within the North Korean leadership. It is also unclear how the broadcasts could be linked with any power struggle.

The incident has already seriously undermined the international credibility of the South Korean Government, because although rumours of President Kim's assassination appeared in Japan at the weekend and had been reported in Seoul, it was the official statement of the South Korean Defence Minister which created international interest.

Despite the restrained tone of the South Korean statements, Seoul's ability to interpret accurately intelligence from North Korea is now in question.

Japanese machine tool industry may seek aid

BY IAN RODGER IN TOKYO

JAPAN'S machine tool industry, which had record turnover and profits last year, is about to apply for government aid with restructuring.

The industry's sales and profits have been hard hit this year by the rise of the yen. For example, Okuma Machinery Works, one of the leading producers, recently reported a 6 per cent drop in sales and a 63.5 per cent drop in profit in the six months to September 30.

The outlook is worse. The industry, under the threat of protectionist legislation in the US, has just agreed to reduce its shipments to the US of machining centres, numerically controlled (NC) lathes and four other types of machines to 1981 levels.

This will mean significant cutbacks. The industry exported more than a third of its Y1,008bn (£4.3bn) output last year, and about half of its exports went to the US. Japanese producers' share of the US market for machining centres and NC lathes has grown from 50 per cent to about 75 per cent since 1981.

Amnesty says Soviet officials see torture

By Our Foreign Staff

SOVIET officials are often present during torture sessions in Afghanistan, according to evidence from former prisoners which is contained in an Amnesty International report published today.

The report*, says political prisoners are still being regularly tortured by Afghan security forces. Methods used include beatings, electric shocks to sensitive parts of the body, being burnt with cigarettes and hair being torn from the scalp.

Amnesty says that many former prisoners say that Soviet officials are present during the torture and often participate in or direct the interrogation, but leave the application of torture to the Afghans. One prisoner is quoted saying that Soviet officials gave orders for him to be subjected to repeated electric shocks.

Amnesty details the widespread arrest of government officials, teachers, businessmen and students, including many women. Some are said to have resorted to violence in opposing the Government; others have been arrested merely on suspicion of contact with the armed opposition.

The testimony of many former detainees reveals a "pattern of torture and other ill treatment of prisoners," it says, with widespread violations of international law and Afghan law taking place in government interrogation centres, both in Kabul and in provincial cities, as well as in prisons and military posts.

The report says many detainees remain in custody for several months without access to family or lawyers, and are later released without being charged or tried. Others are tried in special revolutionary courts with no access to defence counsel, and without being allowed to call witnesses.

Amnesty has written repeatedly to the Afghan Government to voice its concern over torture and other human rights violations;

Afghanistan: torture of political prisoners. £2.50. Amnesty International, 5 Roberts Place, London EC1R OEJ.

Build-up in conflict throughout Afghanistan

By Mohammad Aftab in Islamabad

HEAVY FIGHTING was reported from three key areas of Afghanistan, between anti-Communist guerrillas and the Afghan regime and Soviet troops, Western diplomats said in Islamabad yesterday.

Kandahar, Tadhar and Baghlan were the areas where the fighting was concentrated, the sources said.

The guerrillas have suffered heavy casualties along with civilians at Peshnul in the south-eastern province of Kandahar as a result of extensive bombing. Afghan government troops suffered 275 dead, including five officers. The losses include 150 dead at Panjwai and Argandab last week. Another 120 troops were killed at Peshmul five days ago. A total of seven Soviet helicopter gunships were shot down by the guerrillas, two of them with missiles.

Western diplomats said several thousand troops were engaged in fighting at Takhar, north of Kabul, between November 3 and 9.

Some of the heaviest fighting took place in the villages of Rustaq and Nowabad, and there were "many casualties" on both sides. Two Soviet bases at Nowabad and Rustaq were also destroyed by the guerrillas.

Most of the 120 troops at a military post at Nuri in Baghlan province, north-west of Kabul, were reportedly killed on the night of November 12 when the guerrillas overran the post.

Several Soviet soldiers were killed at Khitan on November 7 in the same province.

● Soviet and Afghan forces have launched major attacks against the Moslem guerrillas throughout Afghanistan, and Western diplomatic sources said reports from Afghanistan described heavy fighting in the north, south and east of the country, AP reports from Islamabad.

The report said that thousands of Soviet and Afghan government soldiers, backed by tanks and large formations of aircraft, had been attacking guerrilla positions.

Some of the heaviest fighting was in the south-east city of Kandahar where guerrilla fighters and Soviet troops have been locked in street battles and where many civilians have been killed in bombardments and air raids, the sources said.

South African car plant strike ends after company ultimatum

BY ANTHONY ROBINSON IN JOHANNESBURG

THE STRIKE at General Motors plants in Port Elizabeth, South Africa, ended yesterday as more than 90 per cent of the 2,400 workforce returned to work in the face of a company ultimatum which expired at 9am.

The 219 workers who decided to continue the strike have been dismissed although 80 of the 565 workers dismissed earlier for taking part in an illegal sit-in have been re-employed and re-instatement applications for another 350 are being processed, the company said.

The strike, which began on October 29 and lasted 13 working days, was fought over union demands for severance pay and other claims arising out of GM's disinvestment and management buy-out.

The union's bargaining hand was undermined by the presence of thousands of unemployed car workers in the area following the closure of Ford assembly plants last year and widespread layoffs in component plants.

The company has told the National Union of Automobile and Allied Workers that it will not re-employ strikers who were proven to have taken part in acts of violence or intimidation.

At least 80 of the several hundred job seekers who thronged the gates seeking employment during the strike have been employed, but the total numbers will depend on the number of dismissed strikers re-engaged.

Costs of the strike are still being calculated, but apart from 13 days' lost production the strike also caused a two-month delay in the planned launch of the Opel Monza model which will now take place in January.

Reserve Bank switches US deposits to Europe

BY OUR JOHANNESBURG CORRESPONDENT

THE SOUTH AFRICAN Reserve Bank has closed its commercial bank accounts in the US and switched foreign currency deposits to European banks in response to the US comprehensive anti-apartheid act which came into effect on November 12.

This follows similar precautionary moves by South African commercial banks which are not affected by the law prohibiting US deposit-taking institutions from holding or receiving deposits for the South African Government or any of its agencies.

Commercial banks are believed to have moved up to $300m out of the US into dollar accounts with UK and European banks in recent weeks.

Confirming the Reserve Bank's move, Governor Gerhard De Kock said that the homework on alternative arrangements was done during the International Monetary Fund meeting in Washington in September and put into effect following the Congressional overthrow of President Ronald Reagan's veto.

The Reserve Bank has not taken steps to switch its deposits with the US Federal Reserve Bank. These appear to be unaffected by the sanctions legislation.

Leader of troubled black enclave dies

CHIEF MINISTER Simon Skosana, who dropped plans to accept independence for the South African homeland of Kwandebele after scores of people died in violence this year, has died after a long illness, AP reports from Johannesburg.

Mr Klaas Mtsweni, the Minister of Works and Water Affairs, has been appointed acting Chief Minister.

Many people were killed in fighting in Kwandebele, a poor and overcrowded enclave of 232,000 blacks north-east of Pretoria, over Mr Skosana's plan to accept independence from South Africa on December 11.

In August, shortly after a key aide of Mr Skosana was killed in a car-bomb explosion, the homeland legislative assembly reversed its decision and decided against independence.

Last week, two principal foes of independence, Prince James Mahlangu and Prince Andries Mahlangu, were detained by homeland police. That prompted speculation that Kwandebele officials were reconsidering whether to become the fifth homeland to accept independence from South Africa.

However, the South African Press Association quoted South African officials as saying there were no plans to go ahead with independence.

'Anti-Yank' warning to US envoy

MR EDWARD PERKINS, the first black US ambassador to South Africa, arrived yesterday to take up his post, Reuter reports from Johannesburg.

The pro-Government Citizen newspaper greeted Mr Perkins with an editorial warning that "anti-Yank feeling" was growing in South Africa.

Mr Perkins, a career Foreign Service officer who most recently was US ambassador to Liberia, was sworn in nearly two weeks ago as ambassador to Pretoria.

Mr George Shultz, US Secretary of State, told Mr Perkins at the Washington ceremony that his task was to help bring South Africans together to negotiate a truly democratic state.

"Americans should know that South Africans are ... quite capable of ordering their own affairs without US interference and will close ranks in the face of sanctions and other attempts to crush them," the Johannesburg-based Citizen said.

Last month, the US Congress adopted tough economic sanctions intended to pressure Pretoria to abandon its apartheid system. The paper said that, following the imposition of the sanctions, relations were at their worst since the days of former President Jimmy Carter.

"Go Home Yanks" will become a more persistent cry unless the Yanks leave us alone to get on with reform in our own way, which is the only way that matters," the newspaper added.

N. Zealand committed to new labour laws

By Chris Sherwell in Perth

MR ROGER DOUGLAS, New Zealand's reformist Finance Minister, yesterday reaffirmed his Government's aim of introducing new industrial relations legislation by the end of the year.

The commitment, made at an international symposium in Perth, represents the next major step in a series of reforms which have already begun deregulating New Zealand's financial, trade, agriculture and manufacturing sectors.

But it came as arguments heated up in Wellington between the Government and trade union movement over its industrial relations plans, which aim to remove labour rigidities in both the private and public sectors.

The public sector element of the plan is expected to include the idea of "cash limits" to deal with pay claims. The discussion paper on the proposal was only released last month, suggesting that the Government's timetable for legislation is short.

Mr Douglas said yesterday it was essential that greater industrial relations flexibility be introduced in both private and public sectors. At present, the system was too rigid to ensure the workforce played a part in economic recovery.

In the economic restructuring now taking place, he said, wage settlements had to reflect changing demand patterns for labour in order to encourage job shifts out of areas of declining profitability.

Tanker attacked

A LIBERIAN-registered tanker was set on fire in a missile attack in the southern part of the Gulf on Monday night, but the fire had been almost extinguished early yesterday, Japanese shipping sources said, Reuter reports from Tokyo.

The fire on the 37,450-ton Crown Hope was brought under control by four tugs, the sources said. The 28 crew, who escaped on board a rescue tug boat, have returned to the ship, which is now anchored and unable to sail, they said.

Shultz struggles to regain control of foreign policy

BY LIONEL BARBER

MR GEORGE SHULTZ, US Secretary of State, is struggling to reassert his authority over foreign policy in the wake of the Iran controversy.

Mr Shultz, who hinted that he might resign during an extraordinary television interview at the weekend appears to have persuaded President Reagan to back him in his firm stand against sending arms to Iran.

But senior aides to Mr Shultz were reported yesterday as saying that Mr Reagan's news conference today—his first for three months—would test whether Mr Shultz had succeeded in defining the terms on which he is prepared to stay in the Government.

Speaking in Chicago on Monday, Mr Shultz continued to spell out his unease about the covert White House operation and his opposition to bartering arms for hostages. President Reagan denies any such trade with the Iranians.

Mr Shultz said: "It is a mistake for governments to get in the business of trading something of genuine importance for hostages . . . All you do is the encouraging of taking of more hostages." Mr Shultz said he could not speak for the Administration on the question of arms shipments which he described as "debatable."

Mr Shultz is recognised in Washington as a team player loyal to the President, but he has also made it a matter of principle to build a credible anti-terrorist policy with US allies in Europe. This policy appears to have been undermined by the arms shipments to Iran, a state which Mr Shultz identifies as sponsoring terrorism.

More evidence emerged yesterday that Mr Reagan has failed to persuade Americans that there is no link between the arms supplies and the freeing of American hostages held by pro-Iranian groups in Lebanon.

A poll by the Los Angeles Times showed that only one in five of those questioned believed that President Reagan's statements were "essentially true." Thirty per cent of the 1,480 people interviewed after the President's nationwide TV address last Thursday, said his denial of a hostage deal was "essentially false."

Cannabis shortage brings new high for the humble ditchweed plant

A YEAR AGO, wild ditchweed was not exactly the world's most valued trading commodity. Today, observers in the American rural midwest report bundles of the plant, a distant member of the cannabis family, selling for as much as $60 a pound, writes David Owen in Chicago.

The soaring ditchweed price is one of the more unexpected consequences of the success of the US Government's drug eradication programme. The campaign has severely squeezed cannabis supplies in parts of the 10,000-tonnes-per-year US market.

Drug Enforcement Administration (DEA) officials have destroyed millions of ditchweed plants as part of the anti-drug initiative. This has had the effect of creating a ditchweed shortage and pushing prices still higher.

Ditchweed typically contains less than 1-12th the chemical which produces the smoker's "high") of a good quality Sinsemilla plant. It has had some value among unscruppulous cannabis vendors who mix it with pure marijuana to boost further their big profit margins. But the basis of the current bull market, according to Mr Franz Hirzy, a Chicago-based DEA official, is that cannadis-starved consumers are increasingly turning to ditchweed.

Naturally, the intensified eradication programme in both the US and abroad in places such as Colombia and Belize has also had an impact on the cannabis price.

Drug investigation officials say the shortage has pushed wholesale marijuana prices in Chicago and other big cities to $3,000 per pound, compared with $88 to $1,200 a year ago.

In Illinois alone, 296 sites have been eradicated this year and officials are congratulating themselves on reducing both the number and size of the plots culticated. A number of predominantly sourthern Illinois farmers, who were presumably looking for a more lucrative cash crop in response to plummeting maize and soya bean prices, has been arrested.

Ford and GM cut car output in fourth quarter

AMERICA'S two largest car-makers plan to cut fourth-quarter output, *AP reports from Detroit.*

General Motors blamed the cut on slack demand following the end of bargain-basement financing deals on new cars. Ford said its cuts were because it could not get enough components to meet demand for its cars.

Automotive News, an industry journal, had estimated GM and Ford would each cut production schedules by 6 per cent.

Mr Roger Smith, GM chairman, said production would be "somewhat less" than estimated.

"We're still optimistic," he said. "It is going to be a good year, but we've also said we would do it without incentives."

GM's fourth-quarter production schedule will be 1.04m cars, down from the September estimate of 1.15m, Automotive News said. Ford's fourth-quarter schedule will total 430,000, down from a September estimate of 465,000.

Chrysler's production schedule is reported unchanged at 298,300.

It was also revealed that the operating rate of US industry fell in October to the lowest level since 1983. Mining activity hit an all-time low and US manufacturers continued to suffer from foreign competition, the Government said.

The Federal Reserve Board said US factories, mines and utilities operated at 79 per cent of capacity last month, after holding at 79.2 per cent from July through September.

In a separate report, the Government said the level of business inventories fell 0.3 per cent n September, a somewhat smaller decline than had been expected given strong car sales that month.

Brazil's poll victors seek share of power

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil yesterday postponed talks with senior ministers and instead called in Mr Ulysses Guimaraes, leader of the Brazilian Democratic Movement (PMDB) for discussions on a new economic adjustment package.

The move demonstrates the greatly enhanced influence that the PMDB is certain to exert on the Government following its landslide victory in gubernatorial and congressional elections at the weekend.

Commentators are already already speculating that the centre-left party will attempt to assure that the new package has minimal impact on the improved living standards achieved since February under the Government's anti-inflationary Cruzado plan.

With votes still being counted and the new Congress designated the task of writing a new constitution, the elections have left a legal vacuum in Brazil. President Sarney, who inherited the office of head of state on the death of Tancredo Neves last year, has made it clear that he will not change his ministerial team.

But some PMDB militants are already arguing that the party should have greater predominance in his government as a result of its victories over their coalition partners, the right of centre Liberal Front (PFL).

In many states, the PMDB and PFL supported joint candidates. But in others, most notably the north-east, contests between the two led to substantial PMDB gains.

Ironically, many have attributed the new muscle of the PMDB to prestige reflected from President Sarney's economic strategy. Its consequence, however, will be to tie, to some extent, the president's hands.

In the wake of his election victory, Mr Guimaraes, the PMDB president, assured Mr Sarney that he had no need to fear the consequences of a massive victory by his party. "We are partners of the president of the republic," he said.

Nevertheless, the near certainty that the PMDB will now have a clear majority in both Houses of Congress and, perhaps, 21 of the 23 state governorships, has handed Mr Guimaraes substantial power.

His assurance that the party was satisfied with the Government's economic and social policies will come as little comfort to civil servants now struggling to find ways to adjust the Cruzado plan to relieve serious inflationary pressures in the economy.

Most businessmen and economists believe that efforts to reduce surging demand, and to generate finance for investment will have to involve some austerity measures, relaxation of the price freeze, cuts in government spending and, possibly, higher taxes.

Such moves will prove hard to swallow for a party that has won much of its electoral success from commitments to fight to support the plan.

Formal discussions on the new constitutions are not due to begin until February and look certain to continue for most of the year. In the meantime, President Sarney will continue to take the legislative initiatives and may, if necessary, be obliged to use his decree powers.

Though he has publicly declared himself opposed to using decrees, the method has repeatedly proved necessary, particularly in the economic field, to push policies rapidly through Congress.

At the very least, he will feel under a measure of moral obligation to consult closely with the PMDB leadership. Yesterday that process began.

FALKLAND ISLANDS DISPUTE

Argentina plays its trump card

JUST AFTER the surrender of the 15,000-strong Argentine garrison on the Falkland Islands in June, 1982, Britain was asked by its EEC partners whether fighting on the islands was over Mr Leo Tindemans, then Belgian Foreign Minister, who posed the question, was politely told that he should ask Buenos Aires.

The answer has been a long time coming. This week, almost four and a-half years later, Argentina has made the first firm indication that the anomalous situation of no war, no peace, might finally be brought to an end.

The offer formally to end hostilities in exchange for Britain lifting the 150-mile military protection zone around the islands, is being made to try to tempt the UK to the negotiating table to discuss the sovereignty issue.

It follows Britain's move to create a 150-mile fisheries conservation zone around the islands and to lay claim to the fish and seabed resources up to 200 miles away.

The protection zone was created after the 1982 war, when it became apparent that Argentina's then military Government had no intention of formally ending hostilities. Even today, many prominent figures in the armed forces, as well as the nationalist opposition to President Alfonsin's government, consider the 1982 war simply as a lost individual battle.

The situation of no war, no peace, therefore locked Britain into a multimillion pound annual defence commitment to the islands and has been a continual source of tension souring relations between the two countries.

Given the political opposition at home, President Alfonsin's move is a courageous one. It precedes however next week's United Nations General Assembly debate on the Falkland Islands and the fisheries dispute, at which Argentina hopes to secure a major diplomatic success.

The UN General Assembly passed a resolution in November, 1985 implicitly recommending negotiations over the sovereignty of the islands by 107 votes in favour, 41 abstentions and only four against, one of which, of course, being that of the UK.

Argentina's target is to swing as many of the fence-sitters as possible over to a positive vote. A show of willingness to end hostilities is an obvious way to do that.

In the past, Argentina has always insisted that only when Britain agrees to negotiate sovereignty will hostilities be formally stopped. According to a senior official in the Argentine Foreign Ministry, the intention behind the proposal is to make a gesture of good will, constantly demanded by the UK, to break the deadlock on future talks. As a result "negotiations on the sovereignty issue are no longer a precondition to ending hostilities," he said.

The initial reaction from the UK Government has been to play down the Argentine offer, saying it adds nothing to previous proposals.

In another less-publicised, but equally significant move, however, the lower house of the Argentinian Congress recently passed a bill to create a self-governing province out of Argentina's southernmost territory of Tierra Del Fuego.

President Alfonsin: courageous move

This will put it on an equal footing with Argentina's other 23 provinces, in a country where regional government wields considerable power. Resisting pressure from the Nationalist lobby, the ruling Radical Party successfully kept the Falkland Islands out of the bill, thereby leaving options open

One such option might be to offer the Falkland Islanders a large degree of autonomous self-government, but coming under formal Argentine sovereignty.

Argentina still intends any formal negotiations to include the sovereignty issue, and Britain's approach seems likely to come under increasing pressure both at home and abroad if Argentina's offer is seen to be genuine, not just a ploy to convince the UN.

The Argentine Government has thus played its trump card somewhat uncertainly, and much earlier than most political observers expected. It remains to be seen whether the British government has one to match it. A refusal to explore the offer may suggest that it has not.

UK launches attack on 'megaphone' diplomacy

BY JIMMY BURNS

PROSPECTS that the Argentine announcement could break the current deadlock over the Falklands appeared to be floundering yesterday with both sides drawing up diplomatic battle lines on the issue of sovereignty.

Confusion about the Argentine linkage of a declaration of a cessation of hostilities to the issue of sovereignty was matched yesterday with an intransigent statement from the British Foreign Office.

Mr Tim Eggar, Junior Foreign Office Minister yesterday described the Argentine offer as an "exercise in megaphone diplomacy." He claimed that the British Government had found out about the Argentine offer by reading it in the press.

"That's not really the way to get serious negotiations and serious discussions going. It is really a re-statement of the normal (Argentine) position which is that anything can be discussed as long as we discuss sovereignty first, "Mr Eggar said in an interview with Independent Radio News.

Foreign investment in China suffers decline of 42%

BY ROBERT THOMSON IN PEKING

FOREIGN investment in China has continued to decline with contracted investment for the first nine months of this year totalling $2.4bn (£1.6bn)—down 42 per cent on the same period last year, according to the Ministry of Foreign Economic Relations and Trade (Mofert).

Zheng Tuobin, Trade Minister, said there were two reasons for the fall this year: a shortage of foreign exchange in China that has limited the ability of Chinese partners to contract, and an investment climate clouded by the high cost of doing business in the country.

Zheng hopes that 22 incentives introduced last month will lift investment, though foreign business people based in Peking have suggested that the new regulations will not be enough to reverse the decline.

Contracted investment for the first six months of this year was down 20 per cent on the first half of 1985.

Chinese officials have always quoted contracted investment as a sign of the success of the "Open Door" policy, but Zheng attempted to shift attention away from the contract slump by suggesting that funds actually used in the first nine months total $4bn, an 11 per cent increase on last year.

The increase in actual funds used is mostly an overflow from contracts previously signed. Since 1979, about $17.4bn in investment has been promised, though only about a quarter of that amount has actually been invested.

"Generally speaking, we will continue to try to improve the investment climate," Zheng said. "China is a developing country and we need to utilise foreign capital." China's trade deficit would be well below the $8.4bn recorded last year by his ministry, he added. The Chinese customs bureau said the 1985 deficit was $14.7bn.

Alsthom of France is due to sign a draft agreement with China for two power plants, Reuter reports from Paris. The two coal power plants of 300 MW each would be built in the Peking suburbs and the contract would be signed by the end of this month. Industry officials said the deal would be worth FFr 1.3bn (£138m) and would provide work for three or four years for the Alsthom plants in Le Bourget, and Belfort.

Siemens rail deal stirs up political furore in US

BY PETER BRUCE IN BONN

FOR MOST of this year a modest $24.3m (£17.3m) contract to supply 26 cars to an urban light rail project in Sacramento, California has been making unwelcome headlines in the local press.

Unwelcome, that is, for Siemens, the West German electricals group, which signed the deal to supply the cars in February 1984, beating the Canadian Urban Transportation Development Corporation (UTDC) by a wide margin.

Siemens nevertheless had a good track record in supplying these powered cars in North America, having won similar contracts in Calgary, Edmonton, and San Diego.

This time though, the deal has gone wrong and what began as a tiny sore has developed into a major political wound that could jeopardise Siemen's far more important efforts to establish itself in the coming US market for digital telephone switching equipment.

On September 28 1983 the Federal agency, the Urban Mass Transportation Administration (UMTA) had signed an agreement with the Sacramento Regional Transit (RT) to help fund the construction of a modern tram system in Sacramento — automatically triggering the "Buy America" provisions of the Surface Transportation Assistance Act of 1982.

This meant that more than half the cost the cars had to be accounted for by components manufactured in the US.

On March 3 this year, however, the UMTA's chief legal counsel wrote to the Sacramento authorities to tell them that, in its view (and in this case nothing else counted) "Siemens falls substantially below the requirement that 50 per cent of the components, by cost, be of domestic origin.

"Therefore it is our determination that Siemens is not in compliance with the 'Buy America' requirements applicable to the procurement of rolling stock."

By then, Siemens had built 15 of the cars in West Germany and assembled them in the US. It offered compromise solutions but the UMTA would not budge.

Siemens risked being debarred from future public transport contracts where Federal funds were involved.

Sacramento faced having to find an extra $11m (the money promised for the trucks by the UMTA and now threatened) and its credit rating came under a brief cloud.

Then, quite suddenly last summer, the UMTA appeared to have a change of heart that has aroused anger in Congress.

An Administrative Settlement Agreement, a compromise, was drawn up in which Siemens and the RT admitted violation of the "Buy America" laws but which enabled the contract to go ahead provided the remaining 11 cars were built in the US.

They will be produced by Hall Industries — according to a draft dated October 14 and unlikely to be significantly changed before signing—which has facilities to do so in Pennsylvania.

Siemens, which said yesterday that "we assume that through the compromise with the UMTA the accusations against us will be cleared away," also had to agree to much tighter Federal supervision of any current and future contracts funded by the UMTA.

It has also told the US authorities that a major light rail car order being chased in Taiwan by Siemens, MAN and Thyssen could result in a lot of manufacturing in the US.

None of this has satisfied two senior Congressmen who have written to the Department of Transport to protest at the proposed compromise.

Both have promised to pursue the matter next year when the new Democrat-led and probably more protectionist Congress reconvenes.

Siemens, although probably richer than its competitors in the US telecommunications market, could do without this.

The race between it and American Telephone and Telegraph (AT&T) to buy control of the second biggest French telephone company, CGCT, has become dangerously political.

Bonn and Washington are now openly pushing their national candidates in France and a Siemens victory might find a poor echo in a Congress already familiar with the name because of the Sacramento affair.

Luckily for Siemens, the Congressmen involved are probably just as angry with the Administration for agreeing to the compromise as they are with the West Germans.

This might help deflect the Congressional attacks on the deal being prepared for next year

Europe's distillers step up Japan protest

BY QUENTIN PEEL IN BRUSSELS

EUROPE'S WHISKY and spirits manufacturers yesterday stepped up their propaganda battle against discriminatory Japanese taxes and import duties, which they claim have priced their products out of a huge growth market.

They are appealing to the Japanese sense of honour to scrap the present system, which makes Scotch whisky up to four times more expensive than domestic brands.

Leaders of the Union Européenne des Alcools, Eaux-de-Vie et Spiritueux — an organisation which embraces the whole range of powerful liquor manufacturers in the EEC — spelt out their complaints in Brussels, after the return of a top-level delegation to Japan.

They called on the two key Japanese committees studying tax reform—the government's tax commission, and the ruling Liberal Democratic Party's own tax commission — to include changes in the alcohol tax structure in their recommendations due next month.

The whole issue has now been submitted to the General Agreement on Tariffs and Trade (Gatt) by the EEC as a test case, on the grounds that imported wines and spirits suffer unfair tariffs and taxes in relation to domestic products.

However, the manufacturers are anxious that their case should be taken into account by the imminent committee reports, and renewed their appeal for urgent consideration.

Imported alcoholic drinks accounted for less than 1 per cent of the Japanese market, leaving a huge potential unrealised.

INDONESIA BREAKS LNG RECORDS

Jakarta reverses its gas export fortunes

BY JAMES BALL

INDONESIA has bought about a dramatic revival in its gas exporting fortunes, by shifting its negotiating stance earlier this autumn.

As a result, its gas will arrive in three new countries, not to mention scoring extra opportunities in its traditional Japanese market.

Already the world's largest exporter of liquefied natural gas (LNG), Indonesia has just sent the initial cargo to South Korea, the Pacific's first LNG importing country outside Japan.

It has also just agreed a sales deal with Taiwan paving the way for first deliveries in the early 1990s. But, substantial as these achievements are, they only open the list of new records Indonesia is entering in the LNG record book. For, later this year, it is likely to send a spot cargo of LNG to the US.

The spot cargo of LNG which the French oil company CFP Total has arranged to travel from Bontang, Indonesia, to the Everett terminal of Boston in the north-east US is only the second spot LNG sale of the 1980s.

The first went from Algeria to Britain's Canvey Island in 1982.

If the final approval is given to this LNG deal, Total will buy 40,000 tonnes of LNG and carry it 12,000 miles and sell it to Cesco of Boston, the LNG heir to Distrigas.

The Indonesian cargo will also be:

- The longest-ever LNG voyage, breaking a record which has stood at 10,000 nautical miles since 1970;
- the first LNG cargo sold to the US by another country besides Algeria;
- the first spot sale to originate in Indonesea;
- one of a very few if not the first LNG cargo ever to be sold through an intermediary rather than directly to the buyer from the LNG producer.

Unlike the oil or coal business, LNG is a closed club, making spot deals unusual and difficult to arrange. By its nature, the LNG business is a dedicated trade. Due to the huge investment involved, the buyers and sellers on a particular route are locked into long-term, closed chain contracts.

In the entire history of commercial LNG trade, dating from 1964, there have been no more than 20 spot cargoes plus a few test runs. This is in a trade in which the 10,000th cargo was shipped on May 29, 1986, according to the LNG Log, published by the gas shipping society, SIGTTO.

Ironically, Total, which operates no LNG facilities (but has an involvement in both Bontang, Indonesia and Adgas of Abu Dhabi), also organised two of these earlier spot carges.

They went from Abu Dhabi's Das Island plant (built to supply Japan) to Gaz de France. But on those occasions, in 1977 and 1979, the sale was direct, from Adgas to Gas de France.

So why, assuming the final US regulatory approval comes through, will this unusual voyage be made? The answer lies more in the Pacific than it does in Boston.

For most of 1986, Indonesia's state oil and gas company Pertamina tried to avoid dropping the price of its LNG to Japan, despite the collapse in oil prices to which LNG is meant to be linked.

Already squeezed by falling oil revenues, it tried to resist a similar decline in LNG income. Its hard line, however, precluded taking advantage of any new LNG marketing opportunities in Japan, threatened to delay the start-up of its new trade to South Korea, and led to a suspension of sales talks to Taiwan.

Pertamina changed its stance at the end of the summer and agreed to seek a new way of indexing Japanese LNG prices closer to market prices of crude oil.

In September, it agreed to lower South Korea's price provisionally to an oil-price equivalent of $10 a barrel (a cif Pysong Taek, Korea LNG price of about $2.20/m British thermal units (Btu against a Japanese price based on $15.60/barrel).

> **Later this year, Indonesia is likely to send a spot cargo of LNG to the US—the longest-ever LNG voyage and the first sold to the US by another country besides Algeria**

The first Korean cargo left Arun, Indonesia, on October 21, and has now unloaded. The message was clear, Indonesia wanted to play the market.

Following further recent progress in the LNG pricing talks between Pertamina and its Japanese LNG buyers, price settlements have also been reached with South Korea and Taiwan.

This was the final item Taiwan and Indonesia had to negotiate. Their LNG contract is thus substantially agreed and, after final drafting, will probably be signed in early 1987.

At the same time, Pertamina's Pacific talks were progressing. Total, a minority gas supplier to Bontang, was scouring the US market for sales opportunities for spot cargoes of Indonesian LNG.

The more gas Indonesia sells the more revenue the gas supplies, including Total, make. Seeing a 1m tonne a year spare LNG capacity at Bontang and under-utilised LNG storage in the US, Total tried to find a way to put them together.

Distrigas Corp of Boston, already under Chapter 11 US Bankruptcy Code protection, was finding it impossible to make a spot arrangement with its traditional supplier, Sonatrach of Algeria.

It also found that US shipping restrictions made bringing LNG from the sole US export terminal, Nikiski in Alaska uneconomic.

Before the deal produced its first real LNG, however, Distrigas Corp was put into compulsory liquidation under Chapter 7. But the judge transfered Total's contract from Distrigas Corporation to the Cabot Corporation subsidiary Cesco.

To complete the link, the idle P&O LNG carrier Pollenger was sitting in Europe awaiting January delivery to its next owner, Japan's Nissho Iwai.

Now, as it turns out, P&O will open the Pollenger's new Indonesian role, and the ship will travel first to the US rather than Japan.

More trade bills ahead say US Congressmen

THE US Congress will propose new legislation next year to curb imports in a move to cut the country's huge trade deficit and protect jobs, a Congressional delegation said in Hong Kong yesterday, Reuter reports.

The visiting congressmen did not say what bills were likely, but they said the US could not sustain a trade deficit that topped $127bn (£88bn) in the first nine months of this year.

"There is going to be legislation on the President's desk this year," said Mr Dan Rostenkowski, chairman of the powerful House Ways and Means Committee. "We are here to alert this end of the world that it is coming."

FT COMMERCIAL LAW REPORTS

Consultant's tax avoidance scheme fails

INLAND REVENUE COMMISSIONERS v BRACKETT

Chancery Division:
Mr Justice Hoffmann

WHERE A UK resident contracts with a non-resident company to provide consultancy services to its clients in the UK, income received by the company from exploitation of his services and from which he benefits is deemed to be his income for tax purposes, unless he can show that tax avoidance was not a purpose of the transaction.

Mr Justice Hoffmann so held when allowing an appeal by the Inland Revenue from a decision of the Special Commissioners discharging assessments for income tax made on Mr Frederick John Hughes Brackett under section 478 of the Income and Corporation Taxes Act 1970. An appeal by Mr Brackett against their decision upholding alternative assessments to corporation tax under section 79 of the Taxes Management Act 1970 was dismissed on the footing that the Revenue would take no further action under those assessments.

HIS LORDSHIP said that Mr Brackett was a chartered surveyor. He retired in 1970 but continued to act as a consultant.

In 1972 he was asked to advise Banker's Trust International (BTI) on a proposed property development in Jersey, for which he would receive a share in the profits. He set up machinery for dealing with offshore income, namely a Jersey company called Drishane Investments, held by a Jersey trust.

Completion of those arrangements was followed by the collapse of the property market and BTI did not proceed with the development. Mr Brackett found himself prospectively in financial difficulty. He was concerned about the future needs of his wife and children. His UK assets consisted principally of domestic properties which had become very difficult to sell.

In consequence, in 1974 or 1975, Mr Brackett entered into a contract of employment with Drishane to enable it to provide business consultancy services. He agreed to serve in that capacity until July 1984. He would draw no salary until July 1979, and would thereafter be paid what the directors considered the company could afford.

It was agreed that Drishane would assist Mr Brackett to realise his assets, to provide him with some cash in the period before July 1979.

Pursuant to those arrangements Mr Brackett referred potential clients for consultancy services to Drishane in Jersey, and the contracts for provision of such services were made with Drishane in Jersey. Mr Brackett rendered the services in England and advised Drishane how much to charge. Invoices were rendered and expenses paid by Drishane.

When Mr Brackett undertook employment, Drishane assisted him in the realisation of assets. In June 1975 it bought his Islington property, spent money on it, and sold it. In December 1975 Drishane agreed to buy his Barnet property for £35,000, payable by quarterly instalments with completion deferred for five years.

In addition to those transactions, which placed cash at Mr Brackett's disposal, Drishane entered into dealings with the trustees of an English trust which he had made for his wife's benefit. They involved the purchase of assets for cash.

The Revenue responded to those transactions by raising assessments on Mr Brackett for the four tax years 1975 to 1979. All the assessments were appealed to the Special Commissioners.

Assessments under anti-avoidance provision, section 478 of the Income and Corporation Taxes Act 1970, were discharged. The Revenue now appealed. Assessments under section 79 of the Taxes Management Act 1970, to corporation tax as the "branch or agent" of a non-resident company, were upheld. Mr Brackett appealed.

Section 478 was designed to counter the avoidance of tax by transfer of assets abroad. The first requirement for its application was that there should be "transfers of assets . . . in consequence whereof . . . income becomes payable to persons resident . . . out of the UK."

The second requirement was that an individual who made the transfer, alone or in conjunction with "associated operations," should have "power to enjoy . . . any income of a person resident . . . out of the UK which, if it were . . . received by him in the UK would be chargeable to income tax."

If those two requirements were satisfied and the taxpayer was unable to show that avoiding tax was not a purpose of the transfer, income payable to the non-resident was deemed to be the income of the individual who made the transfer.

The Special Commissioners held that Mr Brackett failed to show that tax avoidance was not a purpose of the transactions; but they discharged the assessments because they considered there had been no transfer of an asset by Mr Brackett to Drishane and that in any event no income had in consequence become payable to Drishane.

Section 488(8)(b) gave an extended meaning to "assets" which included "property or rights of any kind," and to "transfer" which "in relation to rights includes the creation of those rights."

The Revenue submitted that by *entering* into the contract of employment Mr Brackett created rights vested in Drishane and that *by virtue of* those rights together with the associated operation of carrying on trade as a business consultant, *income* became payable to Drishane.

The Special Commissioners rejected that argument on three grounds:

First, they said Mr Brackett's earning capacity was not an asset in respect of which rights could be transferred to or *created in favour of* Drishane. That suggested that the "rights of any kind" which would constitute assets under section 478(8) must be rights *in rem* over other assets.

There was no basis for that restrictive interpretation. The Special Commissioners rightly *found* that the contract of employment conferred on Drishane enforceable rights against Mr Brackett. *O'Brien (1979) 53 TC 241* showed that such rights could be assets for the purposes *of a disposal* under the capital gains legislation.

Secondly, the *Special* Commissioners said the rights acquired by Drishane were not created by Mr Brackett because *they came* into existence under a contract to which he was only one party.

That too was an unduly restrictive construction. In the context of section 478 and in particular the extended meaning of "assets" in subsection (8), it was appropriate to *describe* the *rights of one party* as having been created by the other.

Thirdly, the Special Commissioners said the contract did not result in income in the sense of profits or gains of the trade of business consultancy becoming payable to Drishane within the meaning of section 478. All that became payable were the receipts of trade.

In *Latilla (1943) 25 TC 107* the *House of Lords* rejected the submission that it was not conceptually possible for anything other than the receipts of trade, *as opposed to profits*, to become "payable" to the trader.

His Lordship disagreed with each of the reasons given by the Special Commissioners for saying there was no transfer of assets *to Drishane* and *that* no income thereby became payable.

Section 478 was a broad spectrum anti-avoidance provision which should not be narrowly or technically construed. The Special Commissioners did not give sufficient effect to that principle.

The next question was whether the *second requirement of* section 478 had been satisfied. Did Mr Brackett in consequence of the transfer and of any *associated* operation, have power to enjoy any of the income of Drishane?

"Power to enjoy" was given an extended meaning by subsection (5) which listed five cases in which the individual was deemed to have the power to enjoy income.

The provisions relied on by the Revenue were where "(b) the receipt or accrual of the income operates to increase the value to the individual of any assets held by him or for his benefit"; and "(c) the individual receives . . . any benefit . . . out of that income . . ."

Subsection (6) said that in determining whether an individual had "power to enjoy" income within the meaning of the section, regard should be had "to the substantial result and effect of the transfer and any associated operations, and all benefits which might at any time accrue to the individual . . . as a result of the transfer . . ."

It was clear *that* the "substantial result and effect" of the transactions was that Mr Brackett received benefits provided out of a tax-free fund accumulated by Drishane in *Jersey* from *its* exploitation of his services under the contract of employment.

Those benefits were the provision of liquidity in the form of cash payment for properties which could not be sold; the provision of money for repairs; and payment of salary and the discharge of Mr Brackett's moral obligations to provide for his wife and children.

Mr Brackett was therefore deemed to have power to enjoy income of Drishane under section 478(5)(c).

The appeal against the discharge of the section 478 assessments by the Special Commissioners must be allowed.

It was strictly unnecessary for the court to express a view about the cross-appeal under section 79. However, in relation to that section there was evidence on which the Special Commissioners were entitled to find *that* Mr Brackett constituted a branch or agency.

For the Revenue: Alan Moses (Solicitor, Inland Revenue).

Mr Brackett appeared in person.

By Rachel Davies
Barrister

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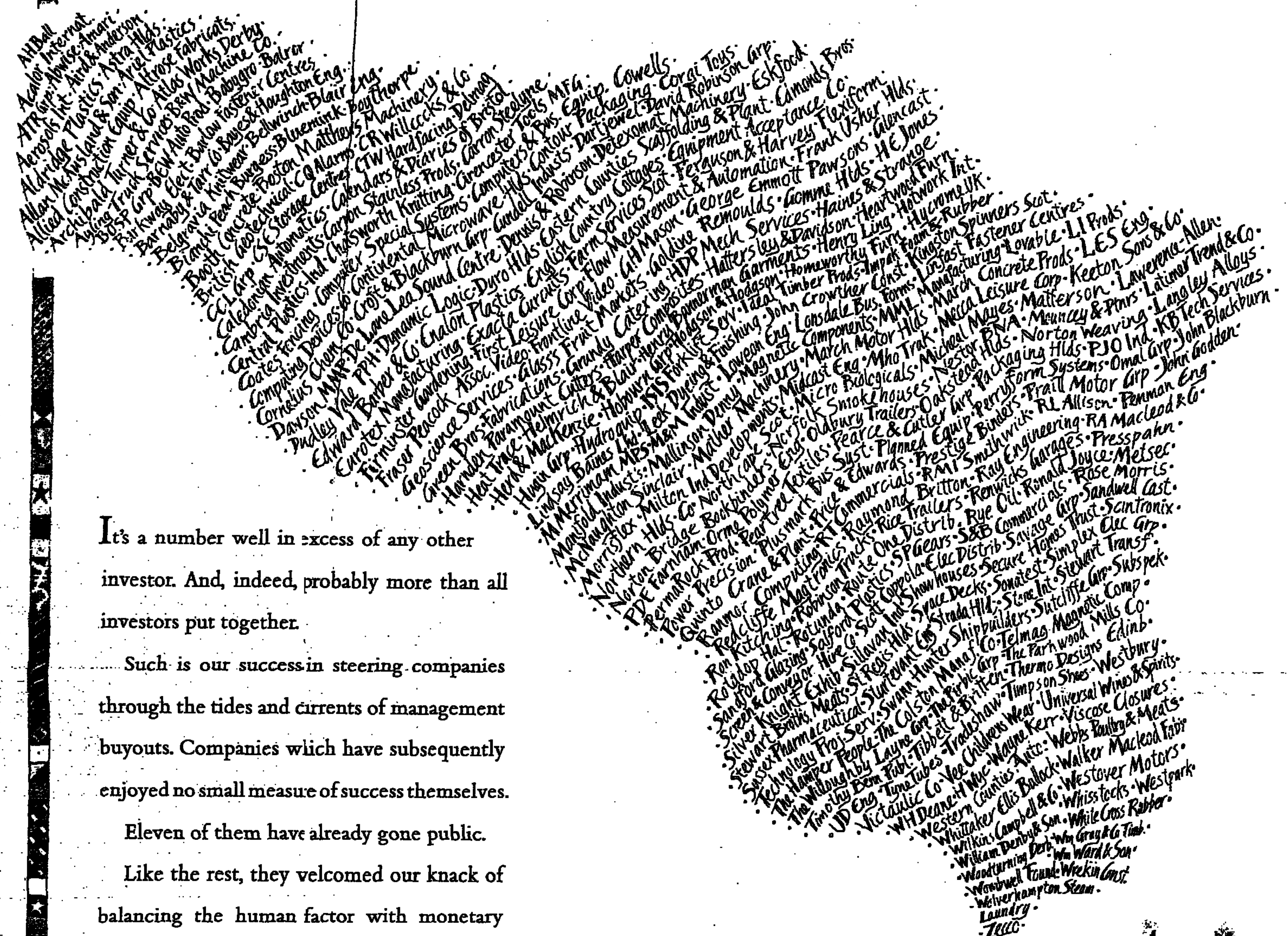

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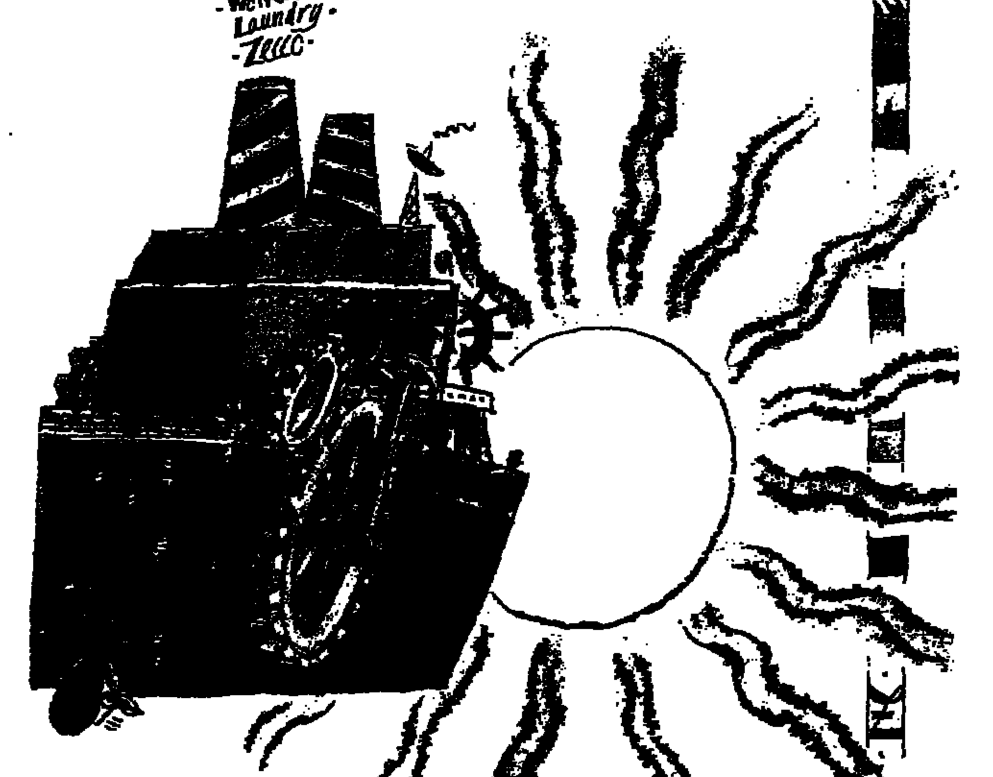

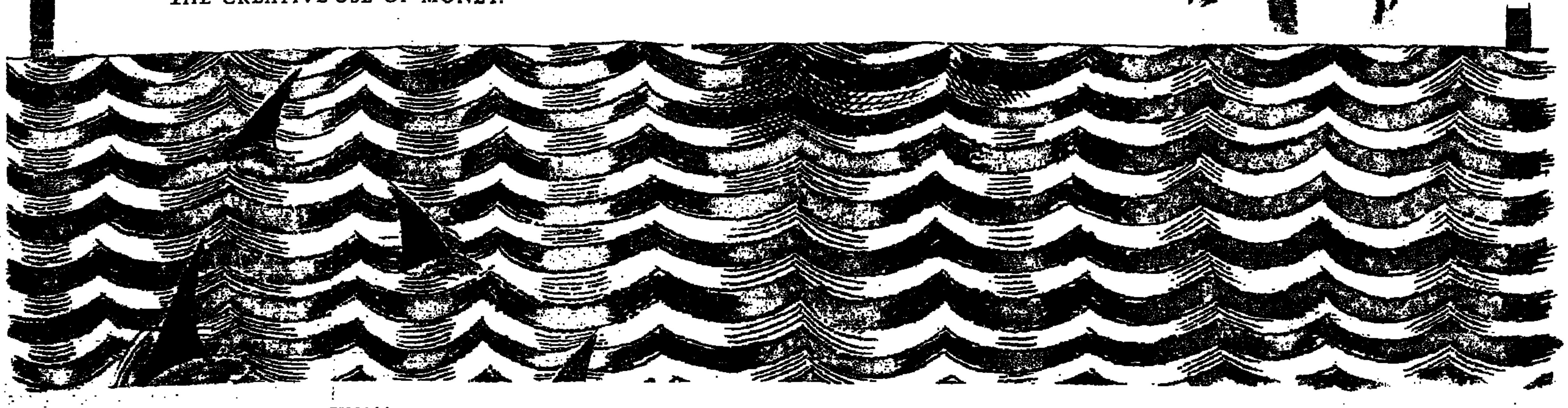

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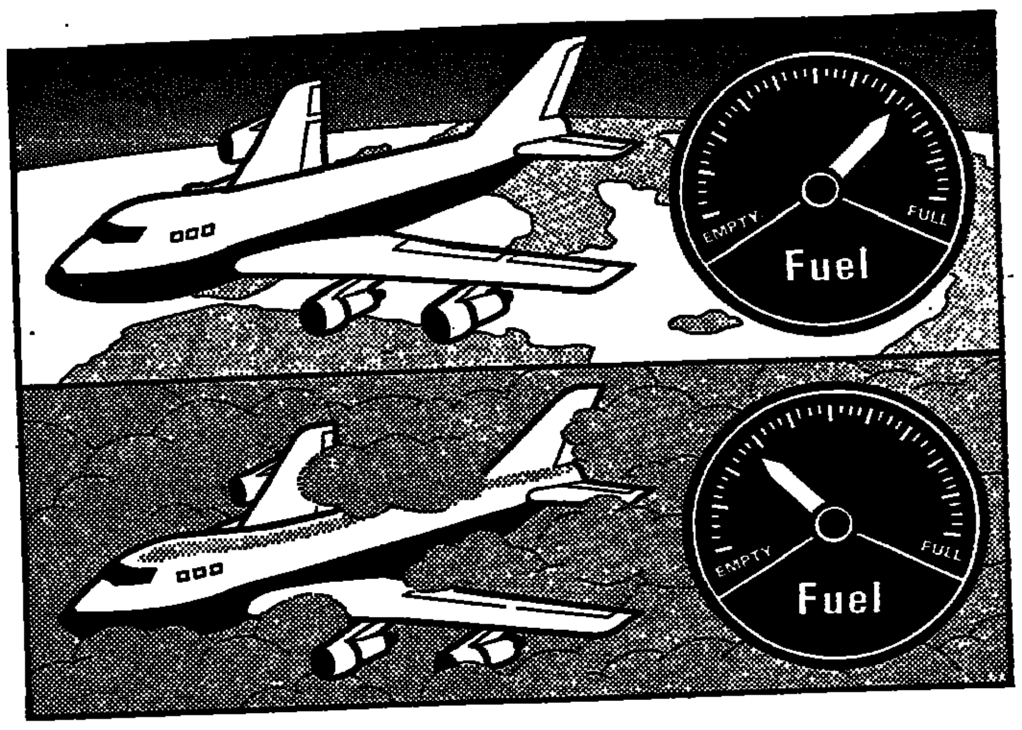
GLOBAL WEATHER FORECASTS

Flightpath to big fuel savings

By Mary Wilkinson



MILLIONS of pounds a year can be shaved off airline fuel bills by making use of accurate, up-to-the-minute weather forecasts from the Meteorological Office in Bracknell, UK.

Savings of £50m a year between the world's major airlines already using the service are estimated by the Met Office, and the seven scientists who developed the computerised forecasting system have just received an energy conservation accolade, the 1986 Royal Society Esso Energy Award for their work.

Only two centres in the world carry out global aviation forecasts — Bracknell and the US World Forecasting Centre in Washington. Bracknell, however, appears to have the edge as most of the large American and European airlines have opted for the British system in preference to Washington's. Customers include Pan Am, TWA, British Airways, Japan Airlines, Scandinavian Airlines, Lufthansa, Air France and American Airlines.

The forecasts provide windspeed, direction and temperatures across the world and for 15 layers of the atmosphere reaching six miles above the earth to the stratosphere. With this information at their fingertips, airline operators can economise on fuel by choosing routes to make maximum use of prevailing winds.

Savings can be made even if flight paths are already dictated by airtraffic control (such as on congested overland routes) by using the wind data to calculate exactly how much fuel will be needed—carrying too much just increases the weight of the aircraft and causes more fuel to be burnt.

Flight planners at Scandinavian Airlines (SAS) have noticed a marked improvement since the airline started using Bracknell's forecasts. Karl Fredriksson, responsible for flight planning support systems, says an average 35kg of fuel per flight hour is being saved, representing £2m a year. "Before we started using Bracknell, we had several unplanned fuel stops caused by incorrect wind predictions on, for example, our Bangkok-Copenhagen route," he explains. "Now unplanned fuel stops are very rare and usually caused by errors on our part, such as understanding the weight of the aircraft."

SAS receives the forecast data directly from the Met Office but the majority of airlines use a flight planning agency. One such agency, SITA supplies Met Office forecasts to 14 airlines including Swiss Air, Singapore Airlines and Quantas. A SITA executive from the agency's data processing centre in London says: "At the moment the demand from the airlines is for the Bracknell system—it enjoys a high reputation.

But not all the airlines are so complimentary about the Met Office service. British Airways, and British Caledonian, with the backing of the Civil Aviation Authority (CAA) standing conference, dispute the fuel saving figures given by Bracknell.

David Page, responsible for flight planning at British Caledonian, believes the most that can be attributed to the forecasts are savings of 0.1 to 0.2 per cent on fuel costs. Howard Davies, his counterpart at British Airways, agrees, adding it represents savings of only £500,000 a year for his airline. "Technically we have no problems with the forecasts but the economies made by computerised flight planning are as much due to the computing we do here as to the Met Office forecasts."

The airlines' chief complaint is the price they have to pay for the service. All those using UK airspace pay charges to the CAA which in turn is charged over £18m a year by the Met Office. Charles Owen, a consultant to the CAA standing conference who is co-ordinating a campaign on behalf of the airlines to get the charges reduced, claims civil avaiation is the only industry paying full price for Met Office services. "Marine services, the media and North Sea oil operators are charged a subsidised price." He adds that 48 per cent of the charges are falling on British operators, as they are the largest users of British airspace.

The Met Office argues the airlines are getting good value for money, and claims it would cost aircraft operators an extra £500m a year if there were no weather forecasts at all.

To produce the forecasts the Met Office uses a Cyber 205 supercomputer from Control Data which is capable of performing 400m operations per second. This "number crunching" power allows a global, 24-hour forecast to be produced in four minutes—the fastest in the world, claims the Met Offices.

A quarter of a million items of observation data from ground sensors, satellites, etc., are processed and mapped on to a latitude/longitude grid of the world containing 300,000 points. Until the arrival of the Cyber in September 1982, the Met Office had been restricted by lack of computing power to a 10-layer model covering most of the Northern Hemisphere, instead of the global, 15-layer model.

Since 1982 the Met Office's research effort has concentrated on fine tuning the numerical equations to improve weather predictions.

The US World Forecasting Centre also has a Cyber 205 but uses different numerical methods and produces only a 12-layer model.

Chuck (Charles) Lambert, international aviation programme leader at the US centre, agrees the Met Office forecast is "slightly ahead" in terms of speed and accuracy. But the Americans are hoping to regain the world lead with the introduction of an 18-layer model within the next two months.

"It should enable us to improve the quality of the forecasts although it will require a longer running time on the computer," Lambert says. "But even once the new model is up and going, it'll be a while before it shows its full potential—it will need refining."

Another of the reasons the airlines have flocked to the Bracknell system is because the Americans have stopped transmitting their forecasts in a code known as aviation digital forecast (ADF) and switched to a more efficient code; gridded binary (Grib). The airlines have proved reluctant to reprogram their computers to accept grib. The Met Office transmits in both codes.

The Americans are obviously hoping their new, more powerful forecasting model will woo customers away from Bracknell. But, Dr Peter White, who led the award winning team at the Met Office, says there are no immediate plans to increase the number of layers in the British model. Since its introduction there has been a sudden drop in the number of errors between the predicted and actual weather conditions. When errors are reported, he says, the forecasts are often accurate and the problem lies in lost detail between grid points.

He cites the case of a Swiss Air flight from Tel Aviv to Zurich which ran into almost double the predicted headwind and consumed 7.8 per cent more fuel than had been calculated. The problem was a jetstream which was too narrow relative to the grid lengths to be represented accurately. Higher resolution grids would therefore improve accuracy.

All the same, there have been enormous improvements — a three-day forecast today is as accurate as a one-day forecast, ten years ago.

Further forecasting development depends on available computing power. With increased machine speeds, more observations could be taken, more layers added, grid resolution improved and calculations refined.

Dr White says his department is keeping an eye on computer developments but there would be little point in replacing the Cyber until something a lot faster came along: "If we halved the grid resolution and doubled the number of levels we would need 16 times the computing power. A computer like that does not exist, yet."

WORTH WATCHING

Edited by Geoffrey Charlish

Rapid orders on the grape vine

WINE GROWERS, buyers and shippers can take advantage of an international computer network called WEX (short for "wine exchange").

All that is needed is a WEX terminal or suitable personal computer. A seller accesses the system over the phone network and enters his wine for sale while the buyer selects the wines he needs and closes the deal via screen and keyboard. Meanwhile the shipper is alerted immediately to the deal and via WEX he organises grouping, loading and transportation. Sellers stocks are automatically updated.

This series of rapid transactions between the subscribers' terminals saves the exchange of stock lists, purchase orders, confirmations and other paper through the mail and is said to cut the order cycle time from up to three months to about 30 minutes.

All that glisters in US electrics

ELECTRICAL CONTACTS could be improved using nickel-based alloys developed at Bell Telephone Laboratories in Murray Hill, New Jersey in the US.

Gold, though expensive, has been favoured for high quality contact surfaces because it is an excellent conductor of electricity and heat and does not easily oxidise to give poor connections.

The Bell Labs team in their efforts to reduce costs, found that stable contacts are obtained when nickel is alloyed with small amounts of phosporus, antimany, silicon and germanium. As such alloys age, they develop a highly conductive, thin surface layer. Further surface film formation is inhibited, but the low and stable contact resistance is maintained.

Short cut to circuit design

FASTER, LOWER - cost analysis of analogue electronic circuits is offered by some software from Number One Systems of St Ives, Cambridgeshire in the UK.

For use on IBM personal computers and compatible models, the software, called Analyser, allows small organisations quickly to design and examine the performance of circuits (frequency response for example), without actually building them. Designers can quickly see the effect on performance of circuit or component changes, without using a soldering iron.

There are two versions of Analyser, for two maximum sizes of circuit, and they cost only £65 and £195 respectively.

DEC joins drive to link automation

DIGITAL EQUIPMENT Corperation (DEC) has launched a range of data networking products based on General Motors' MAP (manufacturing automation protocol) that allows factory automation equipment to communicate regardless of make. Increasingly, MAP will be instrumental in implementing the integrated control of complete factories or production lines by linked computer systems.

DEC says that users of its existing networking products (Decnet, for example) "now have the choice to move to MAP-based systems or to remain with current installations."

How to tell why ship went down

THE MARINE equivalent of a flight recorder has been developed by Germanischer Lloyd in Hamburg, the international ship classification society.

The recorder is designed to identify the cause of accidents and would be installed in a ship's radio distress buoy on the wheelhouse top. Even if the ship sinks, the buoy will float off for recovery. Data about the ship's operation will be recorded automatically and will include position and time, weather, water depth, rudder position and other items.

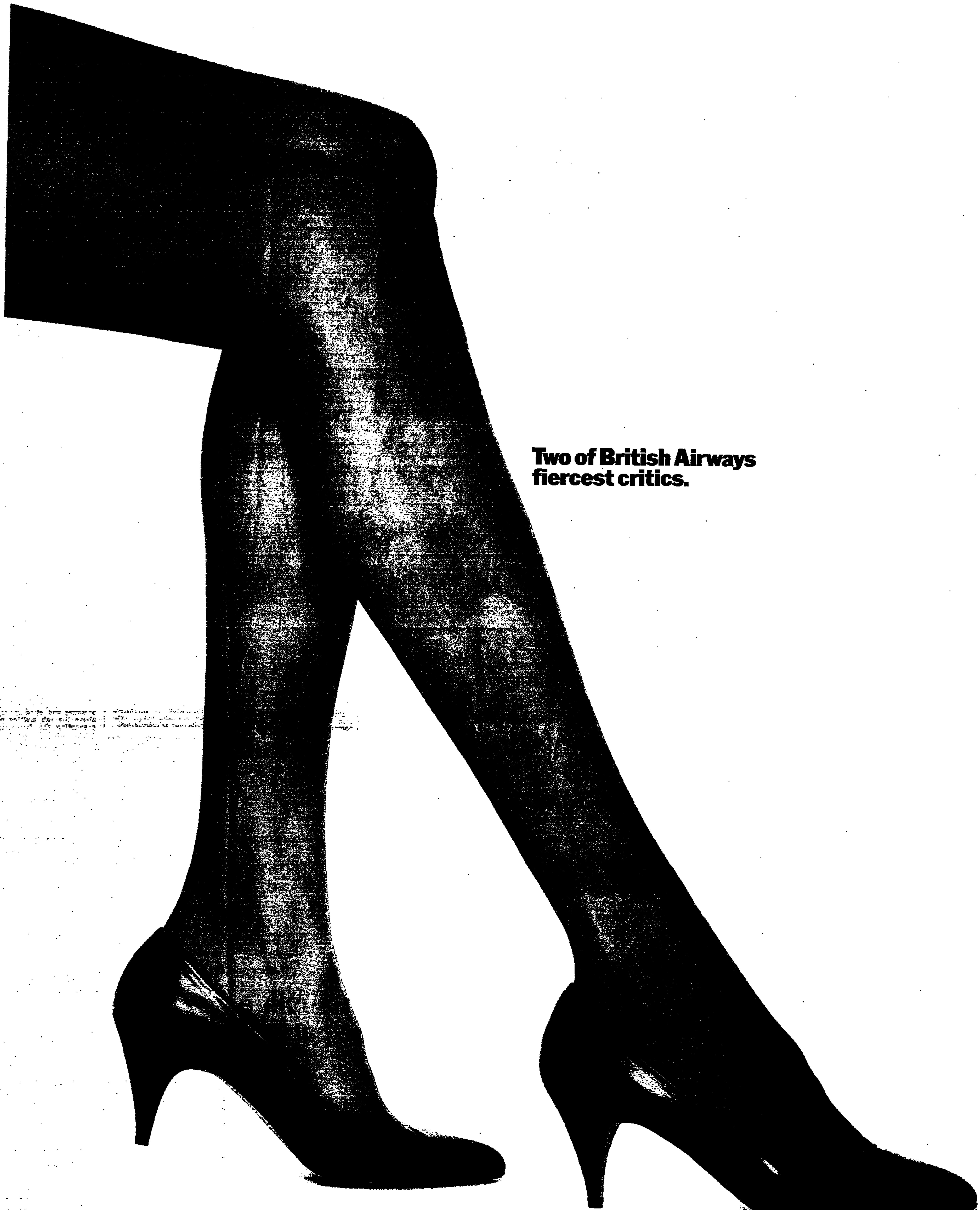
Germans opt for Texaco gas system

COAL GASIFICATION plant using the Texaco process has been commissioned at the Oberhausen plant of Ruhr GmbH by German company Uhde of Dortmund.

In the Texaco process, under development for the last seven years by Uhde and other German companies, the hard coal is fed to the gasifier in the form of a coal suspension in water by means of pumps and is gasified with the aid of oxygen. The system is claimed to be both simple and reliable. Gasification takes place under pressure and at temperatures above the ash melting point, preventing the formation of by-products. The Oberhausen plant converts 30 tonnes of German hard coal into 50,000 cubic metres of gas per hour.

The fine grain ash obtained has a low carbon content and can be utilised by metallurgical industries, obviating waste disposal.

Contacts: WEX: UK 834 8485, France 5751 6545, US (215) 561 9605. AT & T Bell Laboratories: US (201) 564 4280. Number One Systems: UK 0480 61778. DEC: UK 0734 868711. Germanischer Lloyd: West Germany 40 36 1491. Uhde: West Germany 0231 5470.



Two of British Airways fiercest critics.

At SAS, we've fought long and hard to give business travellers better service and greater comfort.

We're not alone.

One competitor has raised its standards dramatically in the past few years.

At this point, British Airways should stand up and take a bow.

They might find it more comfortable than sitting down.

When we set out to improve our service, we knew exactly where to start.

Your knees were staring us in the face.

After all, they're the fiercest critics of airline comfort. The first to complain if your style is cramped.

We duly expanded our leg-room – and your knee-room. Without expanding the price. You still pay the normal economy fare.

BA gives you less knee-room. Without reducing the price.

As a competitor, they're closing in.

Trouble is, it feels as though their seats are, too.

SAS
The Businessman's Airline

UK NEWS

Government on track to meet borrowing target

BY JANET BUSH

THE BUOYANCY of tax receipts from outside the oil sector reduced government borrowing to a negligible level in October, according to provisional figures published yesterday by the Treasury.

Non-oil receipts, particularly of corporation and value-added tax, are running almost £2bn higher than forecast in the March budget, reflecting healthy company profits and consumer spending. Treasury officials said the Government is on track to meet the Public Sector Borrowing Requirement (PSBR) target for the current fiscal year of £7.1bn.

Mr Nigel Lawson, the Chancellor of the Exchequer, confirmed in his Autumn Statement that he expected the PSBR to be around £7bn this year dispite the overrun in public spending and the tax measures he announced to help the oil sector. He said the PSBR in fiscal 1987-88 would be 1¾ per cent of gross domestic product, near to £7bn.

The PSBR for October was a very small £9m, giving a cumulative requirement in the first seven months of the current year of £5.7bn. This compares with a requirement of £5.3bn in the year to October 1985, but it is difficult to make direct comparisons because the series is not seasonally adjusted.

The officials noted that the bulk of Inland Revenue receipts fell in the last quarter of the fiscal year. A large proportion of the total £4.75bn expected in proceeds from the sale of state assets are also yet to come. The Government's accounting treats privatisation receipts as negative expenditure.

The sale of British Gas later this month is expected to bring in at least £2bn and the privatisation of British Airways early next year around £1bn. The Government can also call in £750m in loans from British Gas either this financial year or next.

If yesterday's picture of buoyant non-oil revenues were to be confirmed in monthly data for the rest of the year, it appears likely that the gas loan repayment could be shifted to next year to give the Chancellor more scope for tax cuts.

September's PSBR was revised down from £2.2bn reported in the Treasury's provisional figures to £2.09bn. Additional data cut £100m from the cumulative borrowing of local authorities in the first seven months and £300m from the public corporation borrowing requirement.

The Treasury said Customs and Excise receipts in the first seven months were £2.3bn higher than a year earlier, a rise of 10½ per cent and Inland Revenue receipts were up £1.2bn or 4 per cent compared with the first seven months of 1985.

Central Government made a net repayment of £200m in October, bringing the total requirement for the first seven months to £10.1bn. Local authorities made a net repayment in October of £100m while public corporations had a requirement of £500m.

Consolidated Fund revenue was £10.2bn in October, giving a total of £59bn in the first seven months of the current year.

Currency case crucial for banks

David Lascelles reports on Scandinavian Bank's plan to denominate its equity in several currencies.

IT SHOULD come as no surprise that Mr Justice Harman has decided to seek the Government's opinion on Scandinavian Bank's plan to denominate its equity in several currencies.

Whichever way it goes, the High Court case will mark a major milestone in the development of UK company law and would have wide repercussions in the banking industry.

Although the case is technical and has been launched by a foreign-owned (albeit UK-registered) bank, it challenges the basic assumption that the capital of a UK company can only be denominated in a single currency – usually sterling.

For this reason it is being widely watched in the business and accounting community. The case might even prove politically controversial because it could raise questions about a company's real nationality.

Scandinavian Bank is the UK's 11th largest bank with shareholders funds of about £115m and a balance sheet totalling £3.3bn. Established in London in 1969 as a consortium bank to handle the UK interests of several Scandinavian banks who were too small to have offices of their own, it is now owned by five large Nordic banks: Skandinaviska Enskilda Banken of Sweden with 33 per cent, Bergen Bank of Norway with 27 per cent, Union Bank of Finland with 27 per cent, Privatbanken of Denmark with 10 per cent and Landsbanki Islands of Iceland with 3 per cent.

Ever since it was founded, the bank has kept its accounts in sterling, although most of its assets are denominated in foreign currencies, principally the dollar. This meant that as sterling declined in value against other major currencies, the bank had constantly to raise new sterling capital in order to preserve the ratio of its capital to its total balance sheet. This ratio is set by the Bank of England to ensure that banks have sound underpinnings.

According to Mr Garrett Bouton, the chief executive, the shareholders have had to double their investment over the years just to keep the ratio level and this is becoming a heavy burden now that Scandinavian Bank has grown to be larger than some of its owners.

The remedy that Scandinavian Bank has proposed is to reconstitute its capital in four currencies in proportions which broadly reflect the composition of its assets. This would automatically neutralise the effect of currency movements on the bank's gearing because any change in the value of, for example, its dollar assets, would be compensated by a parallel change in the value of its dollar capital.

The precise details of the plan have taken several years to complete and have involved an arduous round of discussions with authorities in several countries. The Bank of England finally approved the idea earlier this year. The Inland Revenue has also been consulted and given the go-ahead, as has the Registrar of Companies. On top of that, Scandinavian has also worked out wholly new accounting principles with Peat Marwick, its auditors.

All the plan now requires is the permission of the High Court which must approve any reconstitution of the capital of a UK company.

Scandinavian's plan is to create a "capital currency unit" which would consist of four classes of shares divided into dollars (50 per cent), sterling (23 per cent), D-Mark (12 per cent) and Swiss francs (15 per cent). This approximately mirrors Scandinavian's balance sheet which is denominated 40 per cent in dollars, 17 per cent in sterling, 15 per cent in Swiss francs and 12 per cent in D-Marks.

The four classes would be allotted different premiums in order to give them heavier or lighter weightings and these premiums could be changed to match any major alterations in the currency structure of the bank's balance sheet.

The capital currency unit itself would be denominated in sterling and the bank would continue to present its accounts and pay its dividends in the UK currency. However, the bank would express its net worth in foreign currency, and if it was ever dissolved the pay-out would be in dollars, D-Marks, francs and pounds in proportion to the weightings in operation at the time.

Scandinavian Bank has argued that its scheme would have present a number of advantages, among them easier planning, no more sudden requirements for new capital, and a more diversified investment for its shareholders.

However, to obtain the High Court's approval it will have to satisfy the judge that UK company law can be interpreted to mean that capital can exist in many currency forms.

Although Scandinavian's problems are rather special, the prospect of banks being allowed to denominate capital in several currencies is potentially of wide interest.

Most large UK banks, including the clearing banks, have as much as half their assets in foreign currencies and suffer the same strains to their ratios from the decline in sterling's value. Their solution has been to raise loan capital in dollars to boost their foreign currency reserves.

Unsung Falklands heroes find home is highest bidder

BY FIONA THOMPSON

THE TRUE mud and grit veterans of Fortress Falklands were back home yesterday, unsung, ready for action again in the trenches.

All had made their 16,000-mile round-trip to the South Atlantic in the national service. The result of their labours has been described, tentatively, as one of the wonders of the world.

The Goliath crushers, the heavyweight dumpers and, perhaps most unexpectedly, the egglayer blockmaking machines, have all been employed in constructing the Falkland Islands' Mount Pleasant Airport, built in the peat bogs 25 miles south-west of Port Stanley.

They were on parade again yesterday in a huge aircraft hanger at Blackbushe Airport in Surrey, south-east England, to be sold to the highest bidders at an auction of machinery demobbed after the airport campaign.

The two-day sale of 1,016 lots fetched just short of £1m, according to British Car Auctions, who sold the vehicles, spare parts, stores and plant for the Property Services Agency, which maintains and manages the Government's civil and defence estate.

The selling was brisk, sharp and non-stop, from 10am to gone 6pm on both days. Two auctioneers and one spotter (to identify bidders) were ferried up and down the aisles in a Popemobile-like vehicle, the punters clustered round it.

Literally everything that was needed to build the airport – apart from water, stone and sand – was shipped to the Falklands, and that included equipment to house, feed and clean 2,200 workmen, who built it in a record 80 weeks.

As there was little use for the surplus plant on th eislands once the airport was compled, it was shipped home.

It took British Car Auctions finve weeks to transport the 120 container loads and 70 heavy items of plant from the docks and set up the auction.

The hanger was croweded yesterday, the majority weatherbeaten faled men in thick coasts, boots and caps – the few wearing Italian shoes and Burberrys looking distinctly flash. There were builders, contractors, civil engineers and dealers from plant hire and electrical companies.

Thacher rules out negotiations, Page 14

Treasury blocks fuller view of the PSBR

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE TREASURY has blocked a move by the Bank of England to publish monthly figures which would give financial markets a fuller guide to the underlying trend of the Government's borrowing.

The Bank had planned to publish seasonally-adjusted figures for the public sector borrowing requirement (PSBR) as part of a change in the presentation of monthly data for movements in the money supply.

When the first set of money supply figures on a new calendar month basis are published by the Bank tomorrow, however, they will exclude its seasonal adjustment to the PSBR. Instead, the Bank will issue the unadjusted figures which are already provided by the Treasury, the latest of which – for October – were released yesterday.

Those statistics give the borrowing requirement from month-to-month in cash terms. Because of large seasonal fluctuations in departmental spending and the timing of tax payments they provide only the roughest guide to the underlying trend in borrowing.

Seasonally-adjusted figures, which would make allowance for the most obvious of such fluctuations, would provide the financial markets with a better guide as to whether the Government was on track to meet its borrowing targets.

The issue of whether the Bank should publish such figures has arisen because the PSBR is a counterpart in the measurement of the growth rate of sterling M3, the broad money supply measure.

Adjusted PSBR figures on a calendar month basis could be used by economists to provide more accurate forecasts of the borrowing outturn over a full financial year.

The Treasury says that it opposes their publication because they could mislead the markets. The official argument is that the adjustment of the PSBR to take account of seasonal changes is a far more complex and less precise exercise than similar changes to other series of statistics.

The level of borrowing in particular months can be affected by a number of erratic factors which would not be smoothed out by seasonal adjustments. It appears that there is concern that too much weight would be attached to an adjusted series, despite any official disclaimers.

The Bank is expected to explain these and other technical difficulties involved in switching to a calendar month basis when it publishes the money supply figures tomorrow.

There is general agreement in the City of London, however, that the Government has long gone out of its way to make it difficult for outsiders to assess its borrowing needs on a monthly basis.

SE guides members on Boesky

By Hugo Dixon

THE LONDON Stock Exchange Council yesterday advised members to contact the exchange before they had any dealings with Mr Ivan Boesky, the man at the centre of Wall Street's latest insider trading scandal.

This is an interim measure, while the stock exchange waits to see what controls the Securities and Exchange Commission (SEC) puts on dealing by Mr Boesky in the US.

The Department of Trade and Industry (DTI) is being briefed by the SEC on the Boesky affair under the information-exchange agreement signed between the two earlier this year. The DTI is then passing this information to the stock exchange.

But the stock exchange does not yet know whether Mr Boesky is going to be allowed to buy and sell securities in the US until 1988, or whether he is going to be restricted to unwinding his existing positions.

The intention of the stock exchange's advice to its members, it seems, is to ensure that it does not impose restrictions which are incompatible with those being devised by the SEC. Members who contact the stock exchange, it is said, will be given the latest information on where matters stand.

The council also discussed yesterday how members should handle technical aspects, including dealing and settlement, of the British Gas flotation. Advice is expected to be issued by the end of the week.

US court clears way for Lonrho

By Andrew Taylor

TWO Lonrho-controlled companies have been given the go-ahead to proceed with claims for damages against International Trader Crystals SA, its former partner in a Zambian amethyst mine by a court in Denver, Colorado.

Lonrho had claimed that Crystals and its former managing director Mr Daniel Mayers had sold amethysts for less than their market value.

The Denver District Court upheld a default judgment against Crystals which had failed to produce documents which the court had demanded. Another default judgment against Mr Mayers was not sustained.

All parties have 60 days in which to lodge appeals and for the two Lonrho-controlled companies, Northchart Investment and Coronation Syndicates, to present claims for damages against Crystals and Mr Mayers.

During the hearing Northchart claimed that Crystals' actions had resulted in damages estimated at $9.2m (£6.6m) and said it would be claiming 55 per cent of this figure.

The 20 per cent stake in the mine formerly owned by Crystals has now been taken over by the Zambian Government, according to Lonrho which, through Northchart, Coronation and another Lonrho subsidiary, now owns the rest of the mine.

UK NEWS

Nick Bunker watches the Queen open Lloyd's new headquarters

Lime St stages a grand theatre

THEY WERE taking no chances at Lloyd's of London yesterday. Moments before the Queen arrived in mid-morning to open formally the insurance market's new home in Lime Street, in the City of London, a woman member of staff appeared from the wings.

Her job was to sweep with a vacuum cleaner the red carpet that snaked up the steps leading into the vast steel-and-concrete underwriting room of the London insurance market. As the royal party took their seats on a sea-blue dais facing the Lutine Bell, high above their heads two men from O&K, the escalator company, were on station to watch for technical bugs in the building's moving staircases.

For Lloyd's, yesterday's ceremony and the champagne party afterwards, was the climax of seven years' of work since outline planning permission was received for a new headquarters in the autumn of 1979. The new building, commissioned from the architect Richard Rogers, is the ninth to house the world's most famous insurance market since Edward Lloyd opened his coffee house in Tower Street in 1688.

But the ceremony had a symbolic value as well. Lloyd's has been steering a delicate course recently, as it emerges from the shadow of its well-publicised scandals, and battens down the hatches to await the Government-appointed Neill inquiry's report on the market's standards of self-regulation.

Yesterday was an opportunity for a piece of theatre. It was a grand re-assertion of pride and self-confidence and a chance to exhibit once again the nautical and patriotic imagery which Lloyd's men have always liked to weave around the everyday business of insurance.

Everyone played their parts as they were expected to. Even Mr Rogers lived up to his role by appearing in a white suit, blue shirt and pink tie.

Escorted by Mr Peter Miller, the market's chairman, the Queen (in a green coat and matching hat) passed a detachment of sailors from HMS Illustrious, the Royal Navy aircraft carrier which Lloyd's has adopted.

To Aaron Copeland's Fanfare for the Common Man (played by the City of London Sinfonia conducted by Sir Charles Groves) she took her seat on the ground floor of the 240-foot high atrium, which Mr Rogers has made the central feature of the new building. Later, before the Lutine Bell was rung twice in celebration, she was entertained with Haydn's Mass in D Minor (composed in honour of Lord Nelson's victory at the Battle of the Nile).

Mr Miller made a point of alluding to the new Room's reputation as the City's most controversial new building.

The new Lloyd's is "in exciting contrast to so much of the boring architecture of the modern City," said Mr Miller. "If it is controversial let it never be said that Lloyd's cannot take a risk."

The Queen was left to refer obliquely to the scandals that surfaced at Lloyd's in 1982. "Alongside its successes of recent years, the community of Lloyd's has been faced with some major problems," she said. "Much time and effort has been spent in developing self-regulatory requirements. Steady progress has been made, and I am sure will continue to be made, towards a better supervised market."

Auditing guide proposed for banking records

BY HUGO DIXON

BANKS WILL have to commission from their auditors' annual reports on their accounting records and their internal control systems under proposals contained in a consultative paper issued by the Bank of England.

If the reports are delayed or qualified, the auditors will have to let the Bank know immediately, giving their reasons.

The paper details the criteria auditors should use in deciding whether banks have adequate records and internal control systems. The criteria complement the provisions of the Banking Bill published last week, which seeks to learn from the experience of the Johnson Matthey Bankers collapse and give auditors a more central role in bank supervision.

The Bank emphasises that the proposal does not mean it is farming out to auditors its supervisory responsibility. It is simply improving its information-gathering capacity, its says, as it will still be its responsibility to decide whether the law is being obeyed.

Neither the proposals on records nor the internal controls will require major changes in the way most banks operate, the Bank says, although some modifications may be needed. The main concern has been to provide a minimum benchmark below which no banks would be allowed to fall.

The paper suggests that accounting records should be good enough to provide their managements with information on, among other things: large exposures; off-balance sheet transactions; interest rate mismatches; overdue and out-of-order loans and the provisions made against these; and credit exposures by sector and country.

On internal controls, the paper proposes that, among other things, they should give reasonable assurance that transactions and commitments are entered into only after the management's general or specific authority has been obtained, that there are measures to minimise the risk of loss from fraud and errors and that the management is able to monitor regularly the bank's capital adequacy and liquidity.

● National Westminster Bank's attempt to attract more mortgage business by giving new borrowers a 0.5 percentage point discount on its rate of 12.25 per cent seems to be working. In the two months since it started, the offer has attracted more than £500m in loan applications.

Gross mortgage lending so far this year is now over £1bn.

Falklands negotiations ruled out by Thatcher

BY TOM LYNCH

THERE will be no negotiations between Britain and Argentina about the sovereignty of the Falkland Islands as long as the islanders wish to remain under British rule, Mrs Margaret Thatcher, the Prime Minister, strongly reaffirmed in the House of Commons yesterday.

Questioned by Labour MPs about her discussions at Camp David with US President Ronald Reagan on the future of the islands and the British decision to impose a 150-mile fishery conservation zone, she insisted that the wishes of the islanders remained paramount.

She told the Commons that the President had understood her Government's decision, perhaps for the first time.

After a Commons statement on her US trip, she was asked by Dr Norman Godman, a Labour MP, whether the President had offered any criticism of the "reckless decision to impose a fishery zone around the Falkland Islands, or did he offer his support for this foolish decision."

The Prime Minister retorted: "It was an absolutely justified decision as I explained to the President. We have tried since April 1985 to negotiate a multilateral fishing agreement. We have not succeeded. Argentina would not co-operate.

"I explained to the President that when Argentina made bilateral agreements on waters that affected us we had no option but to declare a 150-mile conservation zone.

"I think the President for the first time understood that."

She told Sir John Farr (Conservative) that it had been at one time accepted on all sides of the House that the wishes of the islanders were paramount. This was before "certain leaders of the Opposition" had had discussions with President Raul Alfonsin of Argentina.

In her statement, she said she had told the President that Britain's preference remained a multilateral solution, "provided that the Argentine Government was prepared to co-operate."

She described her visit as useful. The agreed statement confirmed her Government's aims for balanced reductions in nuclear and chemical weapons, while buying Trident to update Britain's nuclear capability.

She and the President had agreed that the priority in the Intermediate Nuclear Forces talks at Geneva should be a 50 per cent cut in strategic defensive weapons, a ban on chemical weapons and "restraints on shorter range systems."

UK NEWS

US expects Rover to deliver cream

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE 150 US dealers who consider themselves lucky enough to have won the Rover Sterling car franchise are already complaining. They say they will not have nearly enough cars to meet demand this year.

That is music to the ears of the Austin Rover executives in Miami for the US dealer launch of the executive car known in Europe as the Rover 800 series and which will mark the company's return to the US for the first time since 1980.

Mr Tim Lewis, of Long Beach, California, echoes the sentiments of many of the dealers when he said he hopes to get 30 Sterlings a month "but we could sell many more."

He has dealt with more than 20 inquiries from potential customers in the past few days since Austin Rover of North America (Arcona) ran its first "teaser" advertisement in Time magazine to create some interest before customers take delivery of the first cars at the end of February.

Mr Lewis reckons the advertising slogan hits exactly the right note. It says: "If only the Japanese could build a car like Jaguar. If only the English could build a car like Honda." This capitalises on Jaguar's recent revival in the US as well as the fact that Sterling was jointly developed by Austin Rover and Honda of Japan.

Austin Rover's financial recovery depends heavily on success in the US. Arcona has committed itself to take 27,000 Sterlings next year and 50,000 in 1988, about equal to UK sales of the executive Rover 800 series.

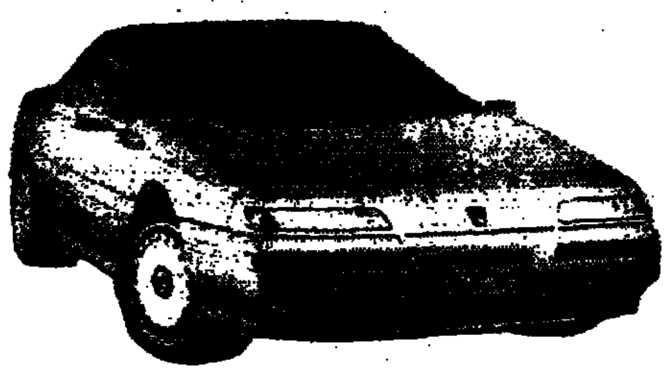
Mr Norman Braman, chairman and major shareholder in Arcona, after judging the dealers' reaction yesterday is now almost certain he can build annual sales to 90,000 within five or six years to match BMW and Mercedes sales in the US today. That would be a substantial addition to Austin Rover's annual rate of output of about 420,000 cars as well as making the US the company's major export market.

The business should be highly profitable too. Mr Braman says Arcona should make a good profit in the first year if all goes to plan and Austin Rover would share in that through its 49 per cent shareholding in the import company.

Sterling's success in the US would also help reverse the seemingly inexorable downward trend in the UK motor industry balance of trade. According to Mr Trevor Taylor, Austin Rover's director of sales and marketing, the 27,000 cars Arcona will take next year will be worth about $400m to UK exports. This compares with a total of 23,719 cars (Mostly Jaguars and Rolls-Royces) worth $700m exported from the UK to the US last year.

If Mr Braman meets his objectives, Sterling will be selling at an annual rate of 90,000 within five to six years and the UK trade balance will benefit by at least $1.5bn. Honda will reap some of the benefits because its engines and transmissions are used in the US Sterling, accounting for perhaps 6 to 10 per cent of the car's value.

Mr Braman says that to achieve his medium-term goal he will have to be provided with a full range of cars to carry the Sterling badge in the US so that dealers could justify setting up separate showrooms – a move he considers essential if the new brand is to have a long-term future.



A coupé version of the Rover 800 for the US market is likely to follow the lines of the Coupé Concept Vehicle (above) which was seen at this year's Paris and Birmingham motor shows.

He has met Mr Graham Day, new chairman and chief executive of the state-owned Rover Group, Austin Rover's parent, three times since Mr Day's appointment in May and is impressed by his commitment to the US venture.

Mr Day already has restored a coupé version of the Rover 800 to Austin Rover's development programme, a project previously put on ice because of the company's deteriorating financial situation. It suffered an operating loss of £61m in the first six months of this year compared with a £800,000 profit in the same period of 1985.

The coupé, expected to follow closely the design of the CCV (coupé concept vehicle) shown by Austin Rover at the Paris and Birmingham motor shows this year, will arrive in the US in 1989, the year after a hatchback to be known in Europe as the Rover 600.

Mr Braman could not have been more pleased with the reaction of the US dealers yesterday when many of them saw the Sterling for the first time "in the metal". He still has some reservations, but says he will know very quickly, perhaps in three months from the launch, if Sterling is to be the success he hopes for.

He reckons he has the best dealer network in the US but the key to Sterling's success will be strategic pricing and the quality of car the Cowley, Oxford, factory can produce.

The Honda connection is very important too Mr Braman points out. Honda's reputation for reliability in the US will help persuade some customers to buy the Sterling soon after the launch, whereas otherwise they would cautiously wait six months or a year to let others take a chance on its quality and reliability.

Most of the dealers here seem to feel the indicated prices for the first two versions of the Sterling – about $20,000 and $24,000 – will offer good value for money and help them hit sales targets. About 1,400 dealers applied for the Sterling franchise which they see as one of the last chances to get a foothold in the fastest growing sector of the US car market – that for luxury European imports.

The sector has doubled in size to 500,000 in the past five years and is forecast to double again in the coming five. But it is increasingly competitive and the Sterling is having to battle with Honda's version of the joint car, the Legend, which has been on sale in the US for six months as well as Europeans such as Audi, BMW and Mercedes. Jaguar is in a different price bracket.

The recent management shake-up and poor financial performance of Austin Rover has caused some concern among the Sterling dealerships, but none has said that it wants to give up the franchise as a result of the publicity.

About one-third of Sterling dealers have Cadillac, General Motors up-market car range, as their main franchise, and the British car for them, in Mr Braman's words, will provide some "cream." However, if for some reason all does not go well they will quickly lose enthusiasm for the marque and begin to look elsewhere for that cream, he points out.

Mr Braman is, however, feeling more confident about Sterling's future in the US after yesterday's launch to dealers and their wives at which their enthusiasm was almost tangible.

Arcona dispensed with the hype which usually attends the introduction of new cars to dealers. "I am a dealer myself," says Mr Braman. "I know what I like to hear. That's why the launch was mostly a question-and-answer session with no bullshit. These dealers are my peers and I have to treat them with respect."

Arcona is spending $20m on the launch and first-year promotion and advertising, a relatively modest sum for the US motor industry, but Arcona is a small company in the US. "But, however much I had to spend I would have launched the car in the same way because it is the right way," said Mr Braman, who stands to make his third fortune from the import business.

Now aged 54, and a tall slightly stooping grey-haired man, he started as a drugs salesman before building up a chain of drug stores and then retired to Miami at the age of 34 after making his first million dollars. Three years later he was restless and bought a Cadillac dealership from a neighbour. That business, now known as Braman Enterprises, has grown to take in more than 20 car dealerships, mostly in Florida, which last year generated sales of $600m.

Mr Braman put up "a very substantial sum" for his 51 per cent of Arcona but he suggests that the return could be more than worthwhile.

Arcona should be highly profitable even in its first year of operation and Mr Braman mentions with a gleam in his eye that another relatively new import company, Subaru of America, is now worth on the stock market more than Fuji, the producer of Subaru cars, is worth in Japan.

British Coal plans £400m mine project

By Maurice Samuelson

BRITISH COAL is to seek planning consent next year for a new £400m mine in the Midlands despite growing strains on its finances caused by the drop in world energy prices. The application, for a colliery at Hawkhurst Moor, near Coventry, could embroil British Coal in its biggest planning battle since the inquiry into its plans to mine coal beneath the Vale of Belvoir in Leicestershire.

British Coal, which is already negotiating to buy the land for the pit's surface installations, has tried to defuse local opposition by choosing a site least likely to interfere with local amenities.

It expects opposition but hopes this will be mitigated both by the lay-out of the new pit and by the boost it will give to the local economy. Some 700 men would be employed during the construction of the pit and some 1,800 miners when it is at peak production.

There has been speculation for several months that the project might be shelved because of the oil price collapse which has put back British Coal's break-even target by another year. But it has been given approval after Government assurances of continued support for British Coal's £850m a year capital spending programme.

Residential Property

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Company Notices

ECU 20.000.000

SOCIETES DE DEVELOPPEMENT REGIONAL 11 1/8 % 1983/1990

We inform the bondholders that the redemption instalment of ECU 4.000.000-, nominal due on December 20, 1986 has been satisfied by a drawing on October 29, 1986, in Luxembourg in the presence of an Huissier.

The bonds will be reimbursed at par on December 20, 1986, coupon due on December 20, 1987 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows: 8.037 to 12.036

Amount outstanding after December 20, 1986: 16.000.000.

THE PRINCIPAL PAYING AGENT
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15, Avenue Emile Reuter
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AYER HITAM TIN DREDGING MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTICE OF MEETING

Kuala Lumpur 19th November 1986

By order of the Board
AZLINA ABDUL AZIZ, Secretary

ARROW CAPITAL N.V.

NOTICE TO SHAREHOLDERS

Pierson, Heldring & Pierson

INTIMIS MANAGEMENT COMPANY N.V.
Managing Director.

BANQUE FRANCAISE DU COMMERCE EXTERIEUR

Floating Rate Notes due 1996

BANQUE INTERNATIONALE A LUXEMBOURG SOCIETE ANONYME
Fiscal Agent

NOTICE TO BONDHOLDERS OF SEKISUI HOUSE, LTD.

2½ PER CENT CONVERTIBLE BONDS DUE 1995

SEKISUI HOUSE, LTD.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

SWISS BANK CORPORATION INTERNATIONAL LIMITED
Reference Agent

QUEBEC CENTRAL RAILWAY COMPANY

CAPITAL STOCK

D. R. KEAST
Assistant Secretary.

50 Finsbury Square,
London, EC2A 1DD.
November 19 1986.

Crédit Foncier de France

US$ 200,000,000 Floating Rate Notes Due 1995 with 200,000 Warrants to acquire by exchange of US dollar Notes or by purchase ECU denominated Floating Rate Notes Due 1995

For the period June 16, 1986 to December 22, 1986 the rate of interest will be US $ 335.05 per US $ 10,000 Note, payable on December 22, 1986.

The Agent Bank

KREDIETBANK
S.A. LUXEMBOURGEOISE

Legal Notices

IN THE MATTER OF ISOLAMIN MIDDLE EAST LTD AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required on or before the 19th day of December 1986 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajirousos, FCCA, of Julia House, 3 Themistocles Dervis, PO Box 1612, Nicosia, Cyprus, the Liquidator of the said Company, and if so required by notice in writing from the said Liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of November 1986.

A. Hajirousos, FCCA
Liquidator.

Plant and Machinery

Clubs

Personal

'Doom and gloom' on oil attacked by minister

BY JAMES BUXTON

MR Alick Buchanan-Smith, the Minister of State for Energy, yesterday attacked "doom and gloom merchants" for painting a black picture of the future of the UK offshore oil industry.

The minister said that this year he had approved 12 oilfield development projects worth £2.1bn only slightly down on last year's development spending figure of £2.3bn. "This is hardly the story of an industry in retreat," he said.

He pointed out that 58 exploration wells had been started this year, only three fewer than in the same period of last year. Appraisal wells numbered 33 as against 40 in 1985. Only 40 per cent of the wells drilled were done because the operators were under obligation in their licenses to drill them.

Mr Buchanan-Smith, who was speaking in the Glasgow Exhibition Centre at the opening of Wescon 86, an exhibition of offshore equipment produced mainly in the west of Scotland, admitted that he was concerned about the future faced by the offshore platform and module fabrication yards after current orders run out in late 1987 and early 1988.

But he said: "I don't think that the oil scene in Scotland is anything like as bad as some people have made it out to be. It's difficult and it's hard, but there's still a very long future ahead for the industry."

OIL DISTRIBUTION WORKERS ACCEPT JOB CUTS AND SHORTER HOURS DEAL

Wage rises of 33% in Shell restructuring

BY PHILIP BASSETT, LABOUR EDITOR

EMPLOYEES in Shell UK's oil distribution division have voted to accept a restructuring package which includes basic rate pay increases of up to 33 per cent and 2½ hours off their working week in return for job cuts of 30 per cent and new work standards.

The proposals, which have still to be signed by the unions involved, the Transport and General Workers' – although its negotiators have welcomed them – indicate that some high pay deals are still being concluded, especially in the private sector, if they are funded by extensive changes in working practices.

The terms of the proposed deal, which is the first redrawing for 20 years of the comprehensive national agreement covering 1,600 tanker drivers, terminal operators and aviation staff, are complex. They include:

● Hours: Drivers' and other employees' normal basic 40-hour week will be cut to 37½ though under a committed hours scheme drivers will work an additional average of 7½ hours a week.

● Pay: Those that agree to such a step will move to a new salary level which will feature a sharp increase on annual basic pensionable pay – from £9,131 to £12,220. Although this is an increase of 33.8 per cent, Shell insists that because of the reduction in overtime involved in the committed hours scheme, the overall effect on earnings could be much smaller – increases of perhaps 5-6 per cent.

● Jobs: In introducing larger but fewer oil tankers, Shell is looking as part of the package for 501 fewer jobs, cutting the workforce down to about 1,100. The company's normal and unpublished redundancy terms are being offered, which Shell says are generous. To allow for the deal to be implemented on January 1, Shell is looking for acceptances of its voluntary redundancy offer by the end of November.

● Work standards: This will include working to proper times, and full workforce flexibility between job grades.

The proposals, which are the result of year-long negotiations, have been accepted at depot level by ballot by a majority of 2-1. Shell says that the deal if implemented will encourge the investment it believes it needs to make to its distribution division, and says that it offers a greater emphasis on the security and pensionability of a higher proportion of employees' earnings.

Loyalist MP faces lengthy Dublin trial

BY HUGH CARNEGY

THE PROSECUTION is to call 59 witnesses in the case against Mr Peter Robinson, deputy leader of the Rev Ian Paisley's Democratic Unionist Party, when he goes on trial in Dublin on serious public order charges, the Irish Special Criminal Court heard yesterday.

The East Belfast MP travelled to Dublin from Belfast for a brief hearing in which Mr Justice Robert Barr set January 13th for the opening of the trial and remanded him on continuing bail of I£10,000 (£9,500).

Mr Robinson faces 11 charges arising out of a midnight Loyalist incursion across the border into the County Monaghan village of Clontibret in August, during which he was arrested. They include assaulting a policeman and causing malicious damage. Mr Robinson denies the charges.

His case was transferred to the special criminal court, which is Ireland's anti-terrorist court, because the district court was ruled unsuitable for security reasons. The special court is presided over by three judges sitting without a jury.

After a solicitor for the department of public prosecutions said it intended calling 59 witnesses, Mr Justice Barr said it was clear the trial would last some time. This poses Mr Robinson with the problem of deciding whether to stay in Dublin during the trial or travel back to Northern Ireland every day. He said this had not yet been decided.

Whatever he chooses, the Irish police will have to deal with the security headache of getting him safely to and from the city-centre courthouse each day. Yesterday, Mr Robinson's armour-reinforced car was jeered by Republicans as it arrived.

Among those accompanying him were his wife, Iris, and the Rev William McCrae, the Democratic Unionist Party MP for mid-Ulster.

GEC wins £51m order for American fighter

BY LYNTON McLAIN

GEC AVIONICS, the prime contractor for the Nimrod airborne early warning system, has won a $72m (£51m) export order for cockpit display systems for the US General Dynamics F-16C fighter aircraft.

The British company, part of the GEC group, based at Rochester, Kent, in south-east England, announced the order yesterday to coincide with the first flight by Mr George Younger, the Defence Secretary, in the Nimrod AEW aircraft.

Mr Younger is evaluating the Nimrod in a contest with the Boeing E-3 Airborne Warning and Control Sysem aircraft (Awacs). He flew in the E-3 earlier this month, to gain first-hand experience before the Cabinet decides on the new airborne early-warning aircraft for the Royal Air Force. A decision is expected before Christmas.

In presenting its latest export success in the US military market, on the day of Mr Younger's Nimrod flight, GEC Avionics said it was "expedient to do so, because the latest contract was a very good example of a UK company selling its equipment abroad in open competition."

None of the head-up display orders involved any offset arrangements with US companies, GEC Avionics said, in a reference to the offer by Boeing to offset 130 per cent of the cost of a British Awacs order with work for UK industry. The General Dynamics order "helps to secure the jobs of some 800 people for about two and a half years," GEC Avionics said.

The new head-up display system ordered by General Dynamics for the F-16C was the world's first holographic head-up display system to be put into volume production, GEC Avionics said. It uses optical techniques to give pilots an ultra-wide field of view from their cockpits.

Jenufa/Covent Garden

Max Loppert

Alastair Muir

Eva Randova and Ashley Putnam

One of the sublime operas returned to London, nine years after its last performance here — the gap has been cruelly long. Monday's Royal Opera *Jenufa* was a big night: the first showing of Bernard Haitink as the company's new music director-designate and the British opera-producing debut of Yury Lyubimov.

It was also the first time Janacek has been given in the original language in a British opera house (all 34 previous Covent Garden *Jenufas* were in the Downes-Kraus translation); and — single big blot on the whole enterprise — it was the first London outbreak of that virus of international opera, subtitles. But above all it was an evening to make one feel grateful to be at Covent Garden (there have been all too few of those recently), confident in its musical renewal and — as after any halfway decent performance of this opera — glad to be alive.

The later, stranger, knottier Janacek operas—even the "impossible" *Osud*—have all made huge headway with the British public. Now it is time to return to the earliest of his operas to be acclaimed a masterpiece, and to find that it pales not the tiniest bit in comparison. The strength of Lyubimov's production is its surging theatricality: the celebrated Russian has responded with passionate intensity to the dramatic economy of the work, to its psychological and social honesty, and to a poetic lyricism of sound less compressed in those later works yet still in perfect control of its dramatic articulation.

The first Covent Garden *Jenufa*, though it declined into unimaginative rote in later years, had the merit of Jan Brazda's scenery, simple and realistically localised in ways currently out of fashion. Picturesque Moravia figures very little in its successor. A bare stage is bounded by revolving side panels, a striped backcloth, and a small grave with cross permanently over the prompt-box. There are no sets to speak of; a wooden house façade, visible much of the time, can suddenly be laid flat (by figurants) in moments of psychological crisis. Apart from the bridal chorus of Act 3, there are no folk details and no folk colours in the timeless-to-modern costumes.

Expressively choreographed non-naturalism continually penetrates the action, outlining key visual images, illustrating the emotional patterns. Each act opens with seasonal petal- or leaf-throwing; in Act 1 Jenufa and Steva discuss her pregnancy (supposedly a strict secret) while swaying sarabande-like with the movement group; at the Kostelnicka's moment of terrible decision six bare-chested scene-shifters in white come on to do their house-collapsing bit.

For myself, I prefer *Jenufa* to take its dramatic tone from the confines of the libretto. I found that Lyubimov's illustrative enactments were regularly introducing an element of sophistication, of High Art, that jarred with the essential plainness of the music; too often I become aware of the producer's imaginative ingenuity as a force in its own right. But I would gladly put up with all this, and more, for the magnificently taut, concentrated playing of almost all of the characters. The production is anchored, and saved, by the power of its performances: no attitude-striking, no semaphoring, just absorbed, observant operatic acting on the highest level.

For Eva Randova, single Czech of the cast (after the October departure of Gabriela Benackova from the title role), the choice of original language was worth the sacrifice of that direct communication between cast and audience that *Jenufa* (in English) has always enjoyed at Covent Garden. All of the Kostelnicka's past (much of it removed by Janacek's libretto from Preissova's play) tells in her present: passion inhibited, pride disappointed, ambition thwarted, ever more gaunt — but never melodramatic—with suffering. After those unsatisfying Royal Opera appearances as Marina and Venus, it is good to report renewed vocal strength and steadiness, with hardly a flinch or squall under pressure.

Ashley Putnam in the title role misses only the impulsive country-girl energy that other Jenufas have shown us. She is radiantly beautiful of person, with a kind of fine-china delicacy that suggests real sweetness of soul; and radiantly beautiful of voice, the most limpid, lustrous Janacek soprano I have heard. Philip Langridge (Laca) and Neil Rosenshein (Steva) are not sufficiently contrasted of physique or manner (Steva is as morose and hangdog as his supposedly less prepossessing half-brother). Both are tenors of intelligence, sensitivity, with keen stagecraft; Mr Langridge's top notes do not ring out, as Janacek presumably expected, but he sings with wonderful distinctness of phrase. In a cast without weakness Grandmother Burya (Elizabeth Bainbridge, a *Jenufa* veteran), Karolka (Claire Powell), and the mayoral couple of Eric Garrett and Maureen Morelle are outstanding.

Haitink's first encounter with an opera is almost always an announcement of intentions to be realised, gradually and persistently. In Act 1 I noted a lack of rhythmic punch in the dances; a general tendency to soften and sentimentalise instrumental summaries of scenes will no doubt be counteracted with experience. (The use of the amplified, now discredited Kovarovic scoring encourages the tendency; it is claimed, unconvincingly, that the Mackerras edition pioneered by the Paris Opera, the Decca recording, and Welsh National Opera was "unavailable.") The dramatic impulse of the performance is already urgent; if this is the sort of company show Haitink is aiming for, the Royal Opera is in for a golden period.

But away with those hideous distractions flashing above the proscenium arch! From a seat in mid-stalls, the head movement required to catch them was sufficient to interrupt concentration on the actors; and what one read was pitifully feeble gain. Whenever more than one character was singing—one of the things, surely, that opera is "about"—the ability of the titles to keep up simply collapsed (so much for the "opportunity to follow more closely the intricacies of a libretto"). And to learn crucial information — such as the Kostelnicka's "I'll deliver the child to God!"—before it has been heard from the character's lips denies the very nature of theatrical communication.

Mr & Mrs Nobody/Garrick

Michael Coveney

The liberation of Carrie Pooter in print was effected three years ago courtesy of Keith Waterhouse, whose *Mrs Pooter's Diary* was a spirited and very funny gloss on the Grossmiths' imperishable classic. By interleaving his own fiction with *The Diary of a Nobody*, Mr Waterhouse has now produced a pleasant, whimsical play in which Judi Dench and Michael Williams have ample opportunity to elaborate on their *This Romance* television relationship as well as the suburban double act in *Pack of Lies*. Their playing together is a delight and of a high technical order.

Ned Sherrin's production is presented as an unashamed Victorian flashback, with a piano and violin playing parlour tunes on the first floor of the Holloway terraced street and the sitting room of "The Laurels" trundling forward in the authentic shape of Julia Trevelyan Oman's *Arts and Crafts* sitting room complete with tasselled table cloths, William Morris wallpaper, a lamplit upright piano, stained glass windows and a heavy traverse curtain to keep out the smog from the railway.

It was Carrie's first deed in keeping her diary to scotch her husband's assertion that the rumbling locomotives caused no inconvenience. Williams' pipe-sucking, bearded Charles is impervious to the rattle of windows and the clouds of smoke which make Peckham, from where they have moved, ever more attractive to Carrie than Holloway. Waterhouse's Carrie is also endowed with more specific social ambitions: she refers constantly to Lady Cartmell's etiquette guide (the Vade Mecum for the Bijou household) and is an ambitious cook, her efforts invariably met with a dull Pooter compliment on her meat tea before an excursion.

The dramatic upshot is a couple of overlapping monologues, with several moments of sentimental affection when jokes are shared. More often, though, Miss Dench is firing critical brickbats at her chuckling spouse who keeps open house for constant friends like Cummings and Gowing (yes, we have that joke too) and fails to mend the sash cords. The episode of the bath painted in vermilion is told according to both diaries, the comic explosion skilfully detonated once Pooter stands crimson and abashed after a long hot soak.

The physical impact of the outside world is confined to some old Punch-style one-dimensional cut-out crowds for the Mansion House Ball and the Peckham dinner, a scenic device more quaint than satisfactory, but the raffishness of young Lupin is well conveyed by Mr Williams projecting the master's voice, or Miss Dench delivering a scathing description of her son's beloved Daisy Mutlar ("Her hair is no stranger to the automatic curlers.")

The loyal, only discreetly severe, Carrie of the Grossmiths is replaced in Waterhouse with a full-blooded disputant in domestic matters and a writer who is easily Pooter's match. The outings to the Tank Theatre in Islington and the Mansion House are topped in furious, sarcastic commentary which prepares the way for a serious row and the departure to stay with her best friend Annie (now Mrs James) of Sutton. Miss Dench builds on these scenes to enrich Carrie's inner life which is further fuelled by two of Waterhouse's main inventions: her skidding flirtation with the upright stationer Mr Darwitts, and her plan to exchange houses with the Misses Tipper.

With Mr Williams standing in for Darwitts, the romantic disillusioning of Carrie gives us one of those irresistible Dench emotional silent screams; and the news that Pooter's boss has purchased the freehold on their home reduces her to enraged tears ("Carrie crying with joy" is Charles's entry) which she smothers in an heroic acceptance of her fate and a bottle of Jackson Frères champagne. At least she has won the battle, with Pooter's increment, for the Wenham Lake ice safe, triumphantly wheeled on at the end.

Mr Williams is a blithely myopic Pooter, shorter and stockier than in Weedon Grossmith's drawings, infuriatingly and amusingly resigned to his lot. The musical duets are delightfully done, with Penny Ryder's literally speechless and chaotic maid Sarah flicking the pages before administering to Pooter's hungover headaches and serving the over-familiar blancmange with an eye-catching frenzy.

Alastair Muir

Michael Williams and Judi Dench

Television/Christopher Dunkley

A series of fallacies

Has television changed politics? No, though politicians seem to have changed politics somewhat because of the way in which they seek to exploit television. Has television changed history? No, but the royal family has probably changed history a little by the manner in which they use television. Has television increased violence in society? No, television is an electronic system of communication and is incapable of increasing violence: no one has ever been mugged by a 21-inch Pye. Moreover, no mugger was ever induced to hit an old lady over the head by television, though he may well claim it was all the fault of the telly when he is taken to court. In the immortal words of Mandy Rice Davies, he would wouldn't he?

Such thoughts about the relationship between television and the way we live are prompted by an almost volcanic explosion of programmes devoted to the subject of television itself. Fourteen years ago when I succeeded T. C. Worsley as the occupant of this space I also started presenting a weekly late-night BBC2 series called *Real Time*, produced by Philip Speight, which sought to deal with television's own problems and triumphs. We were regarded as, at best, eccentric. Many within the industry clearly found us deeply suspect: why did we want clips of such and such a programme if not to subvert television from within?

Today there is *Saturday Review* which quite often deals with television subjects, and *Did You See?* which does nothing else. *The South Bank Show* opened its current season with a programme devoted to John Mortimer (it looked disappointingly like a puff for ITV's Mortimer series *Paradise Postponed*), and the new season of *Arena* which starts on Friday will include a programme all about television chat shows. The first of a new series of *Just Another Day* last Friday consisted of John Pitman visiting the standing set of *EastEnders* and talking to the cast.

Public access slots enabling viewers to appear on screen and comment on programmes have become fashionable. Best by far, thanks to the rigour of Gus Macdonald in playing the ombudsman, is Channel 4's *Right To Reply*. It is the clear superiority of this series, I take it, which has finally induced the BBC to modify *Points of View*, a programme which, all too often, has consisted of the presenter scoring cheap points off the absent letter writer.

And now, as part of its new daytime service, BBC1 has started *Open Air*, which provides 55 minutes or a full hour every weekday for public discussion of television. Clearly many people are fascinated by the subject and ready, if not desperate, to talk about it, which is hardly surprising given that average weekly viewing per head of the population is now over 27 hours.

However, it was not so much these regular programmes which induced the speculation about television and its supposed social effects, but the rash of special programmes produced to mark the 50th anniversary of the opening of BBC Television. Rather cleverly these have not been presented as some monumental monolithic series; instead various producers have taken different aspects of the subject and shaped individual programmes to fit.

The Story of Royal Broadcasting was a 65-minute programme made by Maryse Addison for BBC1. *Television And Number 10* was an excellent two-part programme made by Sally Doganis and Michael Cockerell (the reporter on the notorious *Panorama* episode "Maggie's Militant Tendency") shown on two successive nights on BBC2. In *Television and Foreign Reporting* Jonathan Dimbleby recalled his father's great days and, with the help of a host of clips, reminded us of the high quality of reporting we used to enjoy from men such as James Mossman and James Cameron, whose vocabularies were not pruned to suit the supposedly demotic requirements of a mass audience.

Times past and present: Jonathan Dimbleby with the image of his father Richard

There are more of these 50th birthday programmes to come, the climax being timed for the end of November in a two-hour programme made in the form of a public inquiry with the title *Television On Trial*. That will directly address such questions as the relationship between television and violence in society, and television and moral values. But we do not have to wait for that programme to be able to see that attitudes towards television are dogged by a series of fallacies; widely and strongly held, but still fallacies. This has emerged clearly during the course of the special programmes already screened, and in the ensuing discussions.

The first involves the attribution of human characteristics to television as though the very wires and transistors were somehow capable of maintaining—or debasing—a moral code. With acknowledgements to Ruskin I call this the pathetic fallacy, that being the phrase he used to ridicule those poets who habitually attributed human characteristics to insensate objects ("every flower enjoys the air it breathes" etc).

The second is the assumption that while you and I can of course see through television's wicked ways, the rest of the audience — thickies all — are being led by the nose. This we might call the Whitehouse fallacy, after the woman who believes that, whereas the effect of television's sex-and-violence upon her is to turn her more and more firmly against it, the effect upon everyone else is precisely the opposite.

The third fallacy is the belief that "If television sells detergent it must sell violence too," and in a way this virtually encompasses the other two. It is a misconception arising from the failure to consider both the intention of the message sender (the broadcaster) and the receptiveness of those at the receiving end (the viewers). In a recent *Newsnight* discussion Conservative MP Tim Brinton encapsulated these ideas when he mouthed the cliché that people believe anything they see. Clearly he excluded himself from this judgement. His assertion will carry more weight on the day that he comes before us declaring "I believe anything I see. I have just seen Labour's latest party political broadcast and tonight I shall be abandoning the Conservative Party and crossing the floor of the House to join the Opposition."

There are two main reasons why television commercials sell detergent: first, that is what they are intended to do and immense efforts are put into ensuring that they will; and secondly, viewers are highly receptive to the message because they like and need detergent. If programmes were intended to "sell" violence, and if immense efforts were put into ensuring that they did, and if viewers were highly receptive to the message because they liked and needed violence, then matters might be very different.

The usual response to this, and of course it recurred last week, is that "You are not taking account of juvenile delinquents, they just copy what they see." If that were so, then generations of delinquent teenagers would have been running around crucifying one another, since the most familiar image in every city, town and hamlet in western Europe for the last 2000 years or so has been that of a man nailed to a cross, with blood running down his body: a vivid and violent image if ever there was one (and incidentally often three-dimensional). Where are the imitators?

Anyone who seriously believes that it is television which has spread the riots of our time across the country needs to explain how the toll-gate riots and the agricultural machinery riots and a dozen other sets of riots spread so fast in the centuries before television. Then they need to explain why it is always the unemployed and poor youths of places such as Brixton and Toxteth who riot today and not their well-heeled contemporaries in Cheltenham and Stoke Poges. Don't rich teenagers watch television?

It is time we stopped heaping the blame for all sorts of social phenomena on to television and accepted that it is just our most recently discovered means of communicating with one another. If that which is communicated does, indeed, have some causal connection with subsequent acts we would do well to remember that it is men and women who make the programmes, not wires and transistors. The 21-inch screen in the corner is wholly amoral.

Demidenko/Elizabeth Hall

Dominic Gill

The Russian pianist Nikolai Demidenko has only appeared in this country once before, 12 months ago, as soloist with the Moscow Radio Symphony Orchestra. Reviewers then, pausing for breath between superlatives, were moved to invoke the name of Horowitz; and at Demidenko's South Bank recital debut on Monday their praise was amply confirmed.

He is a sensational young artist—31 he may be, but the platform manner is that of an arrogant, boyish 20—gifted with an absolutely phenomenal command of the whole range of keyboard colour, steel-cord fingers, tireless energy, and the keenest self-critical ear. Every minute of his recital was a sequence of brilliant calculated risks, exhilarating on their profusion, and for the most part gloriously successful. He is clearly in love with the piano, and that is what counts most of all: in everything he played on Monday he communicated the thrill of that continuing affair, and an irresistible sense of adventure.

The kinship with Horowitz tradition was established in the Prokofiev Toccata at the start of his programme — a sense of whirlwind speed achieved by rhythmic means alone, at a fast but never breathless metronomic pulse. It was the sort of playing whose quality and excitement are exceptionally difficult to describe in general terms — the tension was generated by the musical detail: a pedal cloud at the end of "Tuileries" from Mussorgsky's *Pictures* which took the breath away with its audacity and beauty (the pedalling was uncommonly inventive throughout); a hard, crystalline chord of "Catacombs" melting, before its resonance had died away, into velvet; the jubilant peals of bells — a consortium of the orchestral piano — at the Gate of Kiev.

In a group of ten Rakhmaninov Preludes the energy was no less intense and the distillation no less vivid; the poise of the performance was as near perfect as makes no diference, brilliantly conceived, exquisitely rounded. His account of the G sharp minor op.32 rivalled Rakhmaninov's own in its knife-sharp, virile melancholy; the F minor from op.32 was an extraordinary tour de force, suspended in time, vanishing like a puff of smoke at its climax. Two encores, of juvenile Chopin Polonaises, were diamond-cut, pure delight. Demidenko is the most fascinating keyboard talent to emerge from the Soviet Union in years.

Saleroom/Antony Thorncroft

Old Masters boil over

Demand for works of art of the highest quality seems almost insatiable at the moment. In New York on Monday night Sotheby's sold the 46 Old Master and modern drawings which John R. Gaines had collected in the past 14 years for £14,681,586 ($21,288,300). Only one, very minor, lot failed to find a buyer.

Gaines concentrated on works by the big names, and the auction established 26 records for individual artists. By far the most important item was a page of drawings by Leonardo da Vinci, with sketches of children on one side and of machinery on the other. Very few such pages remain in private hands and not surprisingly this one sold for £2,503,448, to the London dealer Adrian Ward-Jackson.

Ward-Jackson was buying on behalf of the Getty Museum. The price, a record for a Leonardo drawing, was above the high forecast, while the auction as a whole exceeded the top estimate by 50 per cent. Among the modern masters Picasso's charcoal drawing "Fête d'homme à la pipe" doubled its forecast at £1,137,931 while an "international dealer," often a pseudonym for Wildenstein, paid £758,621 for the Degas ballet pastel "Le pas battu."

The Rembrandt landscape, a view of Houtewaal, with figures on the Anthonisdijk on the reverse, which Gaines had acquired at the Duke of Devonshire's famous sale at Christie's in July 1984 for £400,000, went to the American collector Ian Woodner for £660,000, a record for a Rembrandt drawing. "La danse," by Matisse, sold for £644,828, another record.

And so it went on—a record £587,931 paid by an American buyer for a Watteau, three studies of a head of a young girl; a record £550,000 from a Japanese collector for a Millet, the famous pastel of the striding peasant, "Le semeur," which has been much engraved.

Records for Fra Bartolommeo and Veronese, for Carracci and Tiepolo, for Guardi and Canaletto—a pen and ink sketch of the east front of Warwick Castle which made £493,103. There was also a record for a Turner watercolour: his Venetian scene of a storm approaching San Georgio sold for £398,276. Another wealthy private buyer was Armand Hammer. He paid £303,448 for Durer's "The satyr's family" and the same sum for a sheet of sketches by Veronese.

A group of Roman figures, dating from around the 2nd century AD, which were brought to this country during the Grand Tour but have spent their recent years on the bed of a lake, fetched good prices at Phillips yesterday. MacAlpine Ancient Art paid £28,400 for a marble figure of Venus Genetrix while two other successful London dealers were Antiquarius which paid £19,800 for a figure of Diana and Faustus which secured Dionysus for £17,600. Bacchus sold for £20,900. All the figures are in poor condition and show 18th century additions.

At Christie's Spink paid £12,000 for the Field Marshal's baton and medals of Sir Henry Wylie Norman, the distinguished Imperial warrior of the 19th century. In the Japanese sale a rare model of a roistering Dutchman, sitting astride a gin cask, made in the 18th century, sold for £15,400.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 14-20

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast in Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

Kafka's Dick (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

NETHERLANDS

Arnhem, Schouwburg. The Bristol Old Vic in Vaclav Havel's Largo Desolato directed by Claude Watham (Mon) (42 2741).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Betty & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

TOKYO

Takarazuka All-Girls' Revue. This phenomenon, the antithesis of Kabuki where all the roles are played by girls but with typical Japanese innocence and earnestness and totally un-camp, is a must for visitors. Takarazuka perform elaborately staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings and huge casts. Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre, near Ginza and main hotels. Afternoon and evening performances. (591 1711).

Dreamgirls: Michael Bennett's Broadway Tony and Grammy Award winning musical. The story of a 1960s female pop group, this is an original production brought to Tokyo by Isetan Department Store and Asahi Television as part of Isetan's centennial celebrations. Kosei Nankin Hall, Shinjuku. (359 2200).

FINANCIAL TIMES

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Wednesday November 19 1986

Insiders and raiders

INVESTIGATIONS into alleged insider trading dominate press headlines on both sides of the Atlantic. Well known companies such as Goodyear and Gillette in the US, or Allied Lyons and Ocean Transport and Trading in Britain, have come under unwelcome pressure from corporate raiders, both domestic and foreign. Industrialists complain, in the columns of the American press and at the annual conference of the Confederation of British Industry, that the financial community has become little more than a gambling den. In short, there is a smell of easy money and scandal in the air, accompanied by a fair measure of sanctimonious comment from all around. Is this merely the inevitable froth on top of a market that has run out of steam? Or is there a more fundamental malaise?

In Britain the immediate focus of attention has been the departure of Mr Geoffrey Collier from Morgan Grenfell following a breach of internal rules. He is said to have made a profit of £15,000 on the purchase of shares in a company for which a client of Morgan Grenfell was about to make a bid. Many in the City argue that this demonstrates that self-regulation works, since the breach of rules was detected and followed by disciplinary action. Others claim that it is the tip of the iceberg. Since insider dealing is a criminal offence in Britain it is for the courts to pass judgment on Mr Collier. But on the more general question of whether insider dealing is rife, there is every likelihood that the City's critics will have further opportunities to go on to the attack in the near future, though not necessarily with good grounds.

More ammunition

Those who stand to lose most from insider trading are arguably the market makers. With margins coming under pressure in London in the aftermath of the Big Bang, and with business being more widely spread across a greater number of participants, those same market makers are both sensitive to the potential losses from inside transactions and less able to protect themselves. Transgressions that would previously have been dealt with via the informal mechanisms of the club are thus more likely to come out into the open, as market makers protect their own interests. The more severe any downturn in the markets, the more ammunition the critics of the City will enjoy.

That said, it is hard to believe that insider dealing is taking place in Britain on the scale implied by the Securities and Exchange Commission's allegations against Mr Dennis Levine and Mr Ivan Boesky on Wall Street. Mr Collier's profit looks laughable when compared with the $50 million profit that Mr Boesky has agreed to give up. The extent of arbitrage operations in US markets in the course of the present takeover boom is also far greater than anything experienced in Europe.

Banking imbalance

There is, however, a common feature in all this, apart from greed. The frantic takeover climate, in which both corporate raiding and insider dealing are prone to flourish, has been fuelled by an imbalance in the banking and securities system that arises from an overload of bad debts in sovereign and corporate lending. A shortage of good borrowers has encouraged the world's larger banks to promote the interests of corporate raiders without adequate regard to risk and the ability to repay. American Savings & Loan institutions are equally ready to purchase high yielding junk bonds in the hope of making good the hole in their profit and loss account and balance sheet arising from poor lending in the past.

The result is that corporate raiding is increasingly financed by equity disguised as loan capital on which the servicing obligations can only be met if the bonds are refinanced on different terms.

This is unhealthy and in due course will become self-correcting as unsound borrowers go to the wall. But in the meantime the corporate raiders will pose a threat not only to long term investment in productive assets by mainstream industrial companies but to the financial system as a whole. The social climate also becomes more divisive as those outside the financial community cast envious eyes on the short term profits made in the markets.

Markets can and should apply a discipline to industrial management. But to do so effectively requires more prudent banking, a more responsible approach to ownership by the investment institutions and a readiness to eschew short term returns. If the present climate is allowed to prevail the politicians can be expected to extract the inevitable price, in the form of increased regulation from the financial community.

An interview with the Prime Minister

Two more terms to eliminate socialism

By Geoffrey Owen and Malcolm Rutherford

MRS Margaret Thatcher hopes to "get rid of socialism as a second force" in British politics in the course of one or perhaps two more terms of Conservative government.

The Prime Minister told the Financial Times in an interview on Monday that the main themes for the Tory manifesto at the next election will include reforms in education, more initiatives to renovate the inner cities, investment in nuclear power and more—much more—privatisation.

She remains committed to cutting taxes, especially at the bottom end of the income scale, but warned that if public expenditure looks like getting out of hand, the Government is prepared "to do another 1981"—when taxes went up.

Mrs Thatcher said that she was "quite pleased" with the economic growth prospects at the moment — 3 per cent next year on the Treasury forecasts — and "quite pleased with the steadily improving performance of manufacturing industry." But: "We are not quite the same as West Germany yet. I wish we were."

In a central part of the interview she argued that the economy will have to become stronger before she is ready to commit Britain to full membership of the European Monetary System, and that time will come almost certainly after the general election. Although "one does not rule out anything at the moment, that is when I would expect to have to reconsider it," she said.

The Prime Minister's main arguments against full membership at present were as follows.

First, she thinks EMS members ought to observe the same rules. "For example, some of them have exchange control . . . That obviously gives them a control mechanism, which we do not have."

Secondly, while Germany does not have exchange controls, it also does not have the petro-currency problem. "When the price of oil goes down it is 100 per cent benefit to Germany and only 50-50 to us."

"Thirdly, people think of going into the EMS believing that somehow you go in and everything in the garden will be lovely without you having to make so much effort. That is just not true."

If Britain went in along those lines, Mrs Thatcher said: "The speculators will come in." To resist them, "you have to do one of two things—you have got interest rates or intervention. There is no way in which you can intervene to any great extent." Support operations from other central banks, she added, amounted only to other people lending you money.

Asked whether full membership might not lock in a low inflation rate, the Prime Minister replied: "Ah, but that means then that I have to swing up interest rates very high regardless. They might fluctuate much more because we would be tested . . . I do not want interest rates any higher. I have to put them up in order to keep a limit on inflation."

Mrs Thatcher no longer refers very much to the sterling/dollar rate. "What we are talking about," she said, "is a D-mark standard, and then you have all the problems that we used to have with devaluation, if it comes. We are getting stronger and one day we will go in."

She then gave a further reason for her reluctance to go in now. "You know, we came out of the snake" (a forerunner of the present European monetary system). "It is etched on my mind. We went in and we came out. When we go in (to the EMS) we will go in strong and stay in."

To a question about the current sterling D-mark rate, the Prime Minister said: "I think it has gone low enough." However, she refrained from making any pledge that the rate will be supported. "We may believe it has gone enough," she went on, "but it is what the market believes and you know what the market is: 95 per cent of the movement is speculation and the other 5 per cent is trade. That is why I said to you earlier that if we had confidence that we will have a clear run—you will have alternative governments to this one, but if they were not socialist governments—then I do think that the prospects for this country would be transformed."

Mrs Thatcher was harking back to what she said at the start of the interview about the need for a "third term": "If people could be sure that we would never have another socialist government, increasing control of state, increasing control of ownership . . . then I think the prospects for this country would be really bright . . . and if only we could get rid of socialism as a second force and have two (parties which) fundamentally believed that political freedom had to be backed by economic freedom and that you get the best out of a people when you delegate power down — it is not really ours to delegate; the history of democracy is the history of increasing liberty from the power of the state."

She is undecided on whether to accept the terms of the teachers' agreement reached last weekend, mainly on the grounds that the best may not be sufficiently rewarded. "Differentials matter, what your top teachers are paid matters and it matters to your mathematicians and physicists that they have a chance, if they are good teachers, that they get a reasonable salary in a reasonable time, so the pay structure is absolutely critical."

Whatever the decision here, education is part of what the Prime Minister called "very much a forward movement" for the next manifesto. Inner cities will feature prominently there will be more Urban Development Corporations, with powers over the heads of the local authorities.

Nuclear power is another priority, though what kind of reactors and whether any are commissioned before the election depends on the Sizewell Report which Mrs Thatcher may have to use as her Christmas reading. (Two Christmases ago, it was the report on the fourth London airport.)

On the basic principle she is adamant: "You cannot do without nuclear power and more nuclear power . . . oil is at a low price at the moment. It is only a question of time as to when it goes up. Some people say five years, some would say 10, but it takes about 10 years to build and commission nuclear power stations."

Much of the rest is privatisation, and the only question is the order and the form. "The longer I am in government," the Prime Minister said, "the more I know that governments ought not to have to make some of the decisions that they do on nationalised industries. If you look to see why an industry is nationalised, the only reason that I can really work out is so that government can interfere."

She was asked to be more specific. That, she replied, was not possible at present. "You look and see which are the best ones to take first and also how best to do it, because sometimes you do it piecemeal, sometimes you will take a whole industry. Sometimes you will do it with 50 per cent and then . . ." In various ways, the electricity, coal and steel industries are all possibilities.

The coal industry, she said, "really is getting into a much healthier state than it has ever been and I find myself saying in some speeches: 'Do you realise that under a Conservative Government even the nationalised industries run better?'"

It was, she said, a question of delegating power and responsibility and of spreading both ownership and management. Mrs Thatcher went to the Nissan plant in the North Eeast the other day. What struck her was "the attitude of the people there; because of the way in which they had been treated by management, every single person knew that his job was significant."

One of them told her: "We do not have to call in the unions very much, because if we have a problem it is sorted out there and then on the shop floor between whoever is responsible and the next management up."

She made a speech saying that within a few years our standards and quality would be every bit as good as the Japanese and the workers interrupted and said: "No, ours will be better."

The Prime Minister also scattered praise on some British companies, and not only Jaguar: Carrington Viyella, for instance, "Manufacturing raw materials, like polyester cotton," she said, "is now done so much by big machines that there is no earthly reason why we cannot repatriate it here from the Far East." Mr Peter Black who makes goods for Marks and Spencer and Sir Ralph Halpern of the Burton Group received further plaudits. What they have in common is that they are "all companies which were at one with their people."

Ashley Ashwood

Jaguar apart, she sees the British car industry as a problem expressing her disappointment at the successful opposition to the deals involving General Motors and Ford earlier this year.

"Ford," she said, "has done a lot for this country. Ford actually contributes to the revenue of this country . . . It contributes to the money that we have been paying to British Leyland . . . What was terribly difficult to get over to people was that BL was no longer a big volume car manufacturer . . . whereas we had 4 per cent of the cars of the European market, the others had 11-13 per cent . . . there is no way in which you can spread your overheads over 4 per cent, no way in which you can do your new models."

Mrs Thatcher thought that she might have handled the matter better if she had been in power longer. "We came across—sometimes you get it in politics—a political feeling which you just cannot, at that moment, overcome and then you have to say: 'All right, we will just have to put it on one side at the moment.'" With the assistance of Mr Graham Day, she will try again in the New Year.

The Prime Minister seemed rather less happy about tax and public expenditure than the public persona at the time of the autumn statement two weeks ago. "We have got higher public expenditure than we would have wished," she said, "insofar as money has been spent, it is not available for tax relief . . . When we get that higher expenditure, as we have, then the only thing that I can do is as we did in 1981: insist that it is soundly financed."

On tax cuts, she went on: "The most urgent thing at the moment is the people at the bottom." However, she is also giving consideration to cutting the top rate of income tax from 60 to 50 per cent, if only because lower tax rates and higher salaries in the US could induce a further brain drain from Britain. She added: "I cannot promise that that would be top priority," though she said she was concerned about the position of scientists.

"The fact that the American top rate is coming down so much," she claimed, "will affect some of our top people, and that does give me cause for concern because to our top scientists they can offer both a fantastic laboratory facility as well as fantastic salaries and most people do work for their family, and that is not a bad thing."

"So we will have to watch that, particularly the science and technology side because so much industry is science-based and so much of the future is going to be science-based."

Mrs Thatcher also referred to—as is the habit of Chancellor Nigel Lawson—the problem of high unit labour costs in Britain.

Asked what could be done about it, she said only: "I can only point out . . . look, if you lose business, people must be intended to presume the consequences of their own action."

The political sting in the interview came at the end when she returned to the need to eliminate socialism as the alternative government. "I think you could get another realignment in British politics," she said. After another Tory victory? "After two more victories," she concluded.

Political market in the regions

THE north-south divide in Britain is not only economic, but even more markedly political; the reminder last week from the Knowsley by-election, where the Tories came a poor third, was hardly needed. It is a message which has clearly got through to the Prime Minister, as our interview today makes clear, and the holders of many Conservative marginals will be relieved to know it. Their chances of re-election may well depend on the Government offering some imaginative new proposals for this most persistently insoluble of British economic ills. Otherwise the Labour and Alliance approaches, depending in a different balance in each case of central funds and devolved decision-making, will be the only fancied runners.

Mrs Thatcher is clearly inspired by the remarkable success of the London Dockland Development Corporation in transforming the one great urban wasteland in the south of England into its most vigorous centre of development. There is a lot to be said for this very British piece of pragmatism — a body with sweeping decision-making powers which is only vaguely answerable to anyone, as opposed to the political market in regional grants and planning constraints; its results may be sometimes inelegant, and sometimes objectionable to local opinion, but they are fast and dynamic.

Frontier economics

This approach recreates the economics of the frontier, where wealth creation comes first, and political constraints follow in its wake. It does work, but it is not a universal solution; it will work best, as it has worked in London, in an urban wasteland — especially a heavily depopulated wasteland. Many of the problems, however (and most of the votes, if that is relevant), are found in much broader, heavily developed regions, where an impressive infrastructure of roads and largely publicly-owned housing serves a sick regional economy.

In such regions some variation of the existing welfare bureaucracy is all that is at present on offer; yet this is a problem to which the Government could make a characteristic market-based contribution, as a thoughtful Bow Group paper pointed out earlier this month. This argues for a replacement of project-by-project subsidies, which tend to encourage capital-intensive projects and to create unfair competition with established industries, with a framework of general regional incentives.

Ploughed back

The paper proposes a number of specific incentives — for example that the benefits of the Business Expansion Scheme should be concentrated entirely in the regions, and that half of the State-owned royalties from natural resources should be ploughed directly back into the regions (nearly always problem regions) where they are extracted, that national insurance contributions should be remitted, and that the Government should spread its financial patronage to regional brokers and finance houses. The general drift of these proposals looks promising, though the details are highly debatable. The approach could even be non-partisan—it echoes the former Labour-sponsored regional employment premium.

It certainly seems desirable to reduce the role of official intervention and amplify market incentives in the regions (as the Chancellor is arguing in the wages field). However, there are two more strands to be woven in to any convincing pattern: active steps to encourage local financial decision-making (already recognised in the Labour proposals); and a greater stress on human development. It is arguable that the main reason for the superior performance in parts of Scotland, as well as the successes recorded in Brittany and the Irish Republic, is education-based.

BET makes bankers conform

BET, the diversified services group, has struck a blow for companies which actually pick up the tab for those "tombstone" advertisements which grace the pages of the financial press.

"Tombstones" record the members of banking consortia involved in capital raising and other deals. They are studied closely by other bankers to see who is doing what, and for whom.

Traditionally the banks have determined the lay-out and style of the "tombstones," although the advertising bill has been picked up by the company involved.

BET has now achieved what it believes is a breakthrough in determining the typography and general style of a "tombstone" for a recent £65m convertible bond issue lead managed by Credit Suisse First Boston.

It will look more like a BET promotional advertisement in its style than the usual bland recital of the banking pecking order.

"We seem to have created quite a stir in that market place," says Neil Ryder, head of corporate communications at BET. "It gives us an opportunity to advertise that we might, otherwise, have neglected. I hope that once we have done it everyone else will take the opportunity."

Those banks that do not already have a creative department should lose no time setting one up.

Out of control

Spain's socialist government suddenly found itself deprived this week of the legal weapons with which it has been pursuing people accused of smuggling money out of the country around the time it came to power in 1982.

The country's Constitutional Tribunal, upholding an appeal on Monday in one currency evasion case, ruled that the foreign exchange control act brought in by the previous government in 1979 was invalid.

Men and Matters

The law should have been approved by a majority of all the members of parliament, it said, since it affected fundamental liberties.

The decision is expected to be applied to other pending cases, including the so-called "Palazon affair," in which a former Spanish consul in Geneva, Francisco Javier Palazon, was alleged to have co-ordinated an exchange control evasion network involving several members of Spanish high society. Palazon subsequently vanished after being released on bail.

Another alleged network was uncovered this summer, leading to the resignation of an Army general who held a senior post in the Ministry of Defence.

The Tribunal's ruling could also effect some of the charges made against former executives of the Rumasa banking and business conglomerate, seized by the government in early 1983.

Currency offences were among the original charges laid against Jose Maria Ruiz-Mateos, th eformer Rumasa chairman, who was extradited last year from West Germany.

Nuclear strike

Robert Jungk, the grand old man of the German anti-nuclear movement, was in a troubled mood yesterday. The 73-year-old writer was forced to give a press conference in Bonn to deny claims that he incited protestors to violence at a demonstration against a nuclear fuel factory 10 days ago.

Jungk, softly spoken and erudite, explained that he remained as opposed to violence as ever — but that his patience was running out with the Government over its proclaimed pro-nuclear course.

West Germany's move into the "plutonium economy" through the planned building of a commercial reprocessing plant was storing up untold dangers of nuclear weapons proliferation, he said.

And he could understand people turning to anti-nuclear violence — though it was "politically wrong."

Jungk, who may be prosecuted for urging demonstrators to render the nuclear fuel factory at Hanau, near Frankfurt, "kaputt," voiced concern about general measures to tighten security and give the police more powers. "If Hitler had had the same technological apparatus of control as today, then the Third Reich would have been a lot worse," he said.

King restored

Next year is the 750th anniversary of the city of Berlin. Surprise, surprise, the divided portions, east and west Berlin, will be celebrating separately.

East Germany is spending billions of marks to spruce up east Berlin for the occasion. Among the larger outlays has been 100m marks to re-equip and restore one of Europe's most beautiful opera houses, the Deutsche Staatsoper on Unter den Linden boulevard. The house was re-opened this week.

The opera house has a fine record of survival. It has been destroyed seven times. When it was last rebuilt from ruins in the 1940s the new communist landlords dropped the inscription dedicated to Frederick the Great over the main portal. It may be a sign of changing times in east Europe that now, 30 years later, it is back again in golden letters—conveying in Latin the message: King Frederick for Apollo and the Muses.

But the authorities have not gone so far as to restore Frederick's monogram over the first tier balcony in the position of honour. Instead there is a hammer and compass, the east German state seal.

Unlike the rebuilt Dresden opera house opened last year, all the fixtures and fittings in the east Berlin house have been produced in the country, except for ideologically - acceptable Cuban marble in the vestibule.

Opening night guests marvelled at the exquisite hand-made silk tapestry wallpaper, and the delicately gilded mirrors and chairs.

Political view

So the BBC thinks it has trouble with Norman Tebbit. Live television is an even for perilous affair in a country like Italy where power is so sensitively divided and every political party is obsessed with the treatment it receives from the magic eye.

Casting even one small pebble into the smooth waters is liable to cause an almighty splash — as the plump and diminutive, bearded Italian comedian, Beppe Grillo, is discovering.

Grillo's sin was to rehearse one act but perform another during the live broadcast of the top-rated spectacular on RAI I, "Fantastico."

He decided to have a go at the politicians, including Prime Minister, Bettino Craxi, still highly sensitive because of criticism of the number of family and friends who accompanied him on a recent trip to China.

In Peking, joked Grillo, Craxi's socialist party deputy asked him if it were true that all one billion Chinese were Socialists. "Yes," confirmed the Prime Minister. "Then who is left for them to rob?" asked his colleague.

Pretty tame stuff, you may think—and none of Grillo's other jokes were exactly side-splitting. But they were sharp enough to bring screams of outrate from across the body politic.

The newly appointed Socialist president of RAI, Enrico Manca, was put in the job to prevent this kind of excess, and he is now leaning on his Christian Democrat director-general to "do something about it."

Observer

South Africa's homelands

The supply-siders of Ciskei

By Anthony Robinson

"CHEQUEMATE the taxman in one beautiful move," promises the glossy booklet advertising the "independent" black homeland of Ciskei as "Africa's new tax haven." At first sight it seems an unlikely offer. The Ciskei, a wedge-shaped strip of land the size of Wales with nearly one million Xhosa-speaking black inhabitants, is a monument to the art of boundary gerrymandering by Pretoria's homeland architects.

Nearly 12m blacks live in what are, on the whole, poor, overcrowded and remote homelands created as part of the grand strategy of apartheid. The aim of the homelands policy, now recognised as unrealistic even by Pretoria, was to create a constellation of black "states" around a central core of "white South Africa"—where blacks would have only the status of immigrant workers, not citizens. A few of these states, like Bophuthatswana with its platinum mines, have considerable natural resources. But most, like Ciskei, independent since 1981, are the image of poverty.

Separated from the larger Xhosa-speaking homeland of Transkei to the north by a narrow strip of "white South Africa," its very existence contradicts Pretoria's principle of separate homelands for each of the main tribal groups. Instead of one homeland, the Xhosas, with their distinctive clicking language and history of strong resistance to white domination, have been divided into two. Together with the Tswana tribal homeland of Bophuthatswana and Venda close to the border with Zimbabwe in the far north they are both classified as "independent homelands" by Pretoria which has bestowed upon them a sovereign status recognised by no other country in the world.

A land of few natural riches, Ciskei's overgrazed soil is now home to thousands forcibly uprooted from the neighbouring white Republic.

Faced with the almost impossible task of trying to make such an artificial state economically viable, the Ciskeian government, led by President Lennox Sebe, has opted for a fairly extreme version of supply side economics. Ironically, its free-wheeling private enterprise approach comes closest to that advocated for white South Africa by think-tanks like the Free Market Foundation—but resisted by the government in Pretoria.

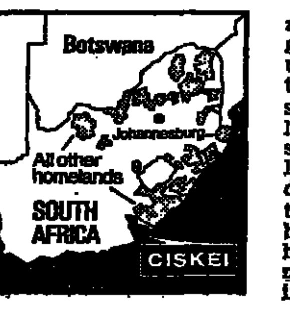
On March 1, 1985, the Ciskei abolished company taxes, deregulated the small business sector, reduced personal tax to a maximum of 15 per cent on incomes above R8,000, and offered foreigners freehold title to land. Other advantages included a 60 per cent rebate on rail tariffs to all destinations within Southern Africa, a 60 per cent subsidy on mortgage rates for key managerial personnel, cheap electricity, and a 10 per cent price preference on government tenders. The only tax applicable to business is a flat 15 per cent withholding tax on repatriated profits.

The decision to offer investors tax-free status, and embrace the tenets of "supply side economics" stemmed from the realisation that the existing incentives offered in line with Pretoria's "industrial decentralisation" policies—aimed at attracting investment to the homelands—were too expensive. Not only did they bring in capital intensive investment and marginal companies of doubtful viability but were open to abuse by companies which received cash wage subsidy grants but paid their labour less than the subsidy itself. According to Mr Dave Hart, general manager of the Ciskei People's Development Bank, the tax-free regime is not only cheaper for the Ciskei—as well as for Pretoria which funds half the decentralisation subsidies—it is attracting profitable, viable and dynamic companies.

The initial results of this tempting package are spelled out by Mr Cecil Vanda, the ebullient managing director of the Ciskei People's Development Bank. Despite recessionary conditions in South Africa as a whole, 40 new companies have been attracted to the Ciskei over the past year and 19 existing factories expanded. New industrial investment of R63.7m flowed into the homeland with the creation of 5,744 new jobs while, for the first time, private capital invested exceeded public sector finance by 29 per cent.

Ten years ago, when the Ciskei Development Bank was founded there were only four factories in the area. Together they employed 1,100 workers. Today Ciskei boasts 141 factories employing over 30,000. They are situated mainly in the three growth points of Dimbaza, Fort Jackson, and Disa.

At Dimbaza, some 50 kilometres by road and rail from East London, Ciskei's development policies have clearly borne fruit. The town was highlighted in a BBC television documentary a few years ago, which focused on the misery of displaced homeland blacks: its title, "Last Grave at Dimbaza."



But where once the graves looked out upon emptiness, they now lie sandwiched between a township of over 50,000 people and a new industrial estate where the hundredth factory, run by an Indian-owned paint company with branches in Johannesburg and Durban, was opened recently. The lure of a tax-free environment rather than cheap labour was the main inducement.

But so far the policy has only scratched the surface of Ciskei's massive unemployment problem. Wages are low and trade unions are banned; trade unionists have been harried ruthlessly. Ciskei remains heavily dependent on remittances from emigrant workers living in the white Republic, and on Ciskei residents holding jobs just across the border within South Africa.

While jobs are being created at Dimbaza and the other growth areas, some of the worst unemployment is to be found in townships like Mdantsane at the southern extremity of the homeland. Originally developed to supply cheap and abundant labour to the port of East London and its associated industries, the township has been hard hit by the recession and has received little of the investment which has been channelled into the growth points and the development of the new Ciskei capital of Bisho on the hills above King William's Town.

Opponents of the homelands system in general, like the African National Congress (ANC), see states like the Ciskei as a key element in Pretoria's policy of divide and rule. Their leaders are reviled as unprincipled "sell-outs."

Critics reserve special opprobium for President Lennox Sebe. But despite widespread allegation of top-level corruption and nepotism, and accusations of wasteful expenditure on prestige projects, Ciskei's economic policies have attracted considerable discreet interest from other homeland administrations.

Politically the Ciskeian government under President-for-life Lennox Sebe has acquired an unenviable reputation for brutal suppression of dissent. Two years after independence dozens of Ciskeians were killed and hundreds arrested in an attempt to break up a year-long bus boycott. The security forces were then headed by the President's half-brother, Gen Charles Sebe, a former sergeant in the South African security forces, who created a climate of fear in the townships.

The bad publicity generated by Ciskei's handling of the bus boycott and a general tendency to take independence more literally than Pretoria intended, led to second thoughts about the Ciskeian leadership. Rumours of an impending coup reached President Sebe while on a visit to Israel in July 1983, prompting him to return unexpectedly. Since then, many of his closest advisers, including some of his immediate family, have found themselves in jail.

The President's opponents have called on him to resign and allow free elections but there seems little chance that he will agree. The greatest challenge to the future of the homelands systems as conceived by Pretoria, however, comes not so much from feuding at the top à la Ciskei but from the pressures caused by rising population, unemployment, overcrowding, soil erosion and other consequences of poverty. And although less volatile than urban townships in South Africa, the homelands, are no longer insulated from the turmoil.

Ciskei believes it has found a way of creating employment through a tax regime that attracts capital and which it hopes will also encourage the creation of an indigenous black entrepreneurial class. That is what Pretoria also wants to achieve in the Republic itself.

At the moment, Ciskei seems to be ahead of the game. But the political clouds appear to be gathering on the horizon and with them the question marks over supply side economics in such a fragile environment.

The Channel Tunnel

Time for competition on the tracks

By David Starkie

NOW THAT Eurotunnel has raised an initial £206m in the financial markets (and Parliamentary matters are well on the way to being finalised) this is an opportune time to consider one aspect which so far has received less attention than it deserves. I refer here to the railway services, or more precisely who will own and operate them.

Existing proposals are for two distinct kinds of service. First, a railway shuttle carrying vehicles from Cheriton near Folkestone to Frethun, south-west of Calais. This will be operated and managed as well as owned by Eurotunnel; it is seen as the raison d'etre for the existence of the tunnel. The shuttle will either supplement or, as some would have it, eventually replace existing ferry services on the short sea crossing between Kent and Pas de Calais. But initially at least the market will be a very competitive one and much of the argument concerning the viability of the project has centred on the extent of competition, and the tunnel's share vis-a-vis the ferry services.

The other rail service is of a more conventional mould—the operation of through services of both freight and passenger trains by BR and its French counterpart SNCF.

Although there is potential for some competition between the two state railway organisations, business thus far has proceeded on a co-operative basis including proposals to develop designs for new high-speed trains jointly. For rapid point-to-point passenger traffic the only element of competition faced by the rail duopoly comes from air passenger services. Rail freight services too will not be subject to internal competition but to limited competition at the margin from road freight (using either RoRo shipping services or the tunnel shuttle). What is missing entirely under the present proposals is any competitive element within the railway system.

I have illustrated how this could be achieved in my contribution to a book to be published on December 11.* The essence of the idea is to view the track and the trains as separate entities for ownership purposes — to distinguish the bits of the railway which are truly a natural monopoly from other bits (train services) for which competition can provide the spur to both increased efficiency and higher quality of service. The aim would be to emulate a practice which is common in both road and air transport: National Express coaches compete against private coach companies on the state-owned motorway system and rival airlines (some in the private sector) utilise airports which are in separate, and often public, ownership.

The last analogy is the more useful because of the scheduling and safety implications. Airlines arrange for access times to the terminal, runways and immediate air space; in effect they rent this access. Translated into the rail context, access to lines and terminals would be rented by companies competing with BR/SNCF. These companies would then sell their services directly to the public.

It cannot be argued that these are false analogies; the quintessential feature of the concept is embodied in the heads of agreement exchanged between Eurotunnel and the railways on September 24. This agreement sets out the basic principles for sharing track capacity, and the operating patterns, speeds and train priority. It also contains a specific provision enabling Eurotunnel to charge BR/SNCF for the use of the tunnel infrastructure. The challenge now is to apply these same principles and agreements to the BR rail network this side of Cheriton (and to the Continental network across the Channel).

Such an opportunity might attract a number of interests including inclusive tour companies. Some, like the Thomson organisation, have purchased large fleets of aircraft to carry their inclusive tour bookings in spite of the competitive nature of the airline charter market. Conveying tourists using their own trains to Continental cities would provide the inclusive tour company with a further option. Alternatively, one might see the development of specialist train charter companies selling capacity in bulk to the inclusive tour operators.

Privately operated freight trains might appeal to internationally-minded freight forwarders, carriers of express freight and parcels and to multi-national transport conglomerates.

To enable the competitive potential of this approach to be realised it will be necessary for the Government to establish and enforce clear "rules for entry" and to discourage final agreements which prevent competitive use of the tunnel by enterprises other than BR/SNCF. The existing heads of agreement (these are not yet legally binding) give BR/SNCF an entitlement of up to one half of the tunnel's capacity. This alone should not preclude Eurotunnel selling further capacity provided, that is, that state railways are not given the exclusive rights to use the tunnel for through train services or a financial stake in the project.

The allocation of capacity entitlements to BR/SNCF should not, in principle, preempt this capacity from use by third parties. What is necessary is a requirement (possibly introduced as a modifying clause to the Channel Tunnel bill) that BR "wholesale" both the tunnel entitlement and its extensive network capacity to its own operating sectors and to private interests on equal and fair terms—terms which the Office of Fair Trading would subsequently adjudicate. The object should be to facilitate the provision of additional commercial services over the public rail network (analogous to the Value Added Network Services permitted under the 1981 British Telecommunications Act).

Introducing competing rail services through the tunnel would have the advantage of reducing BR's need to invest in rolling-stock and locomotives leaving it to concentrate its limited capital resources on the basic infrastructure. But the chief beneficiary will be the consumer who can expect to gain from a greater variety of services, from product innovation and possibly from lower fares and freight rates as competition drives down railway operating costs.

* *Privatisation and Regulation: the UK Experience, edited by John Kay, Colin Mayer and David Thompson OUP. David Starkie is a research associate of the Institute for Fiscal Studies.*

Letters to the Editor

Intellectual asset stripping

From Mr E. Parker

Sir,—On August 20 you reported that BTR had sold to Goodyear of the US a British company that has developed a computerised tyre assembly system which "could revolutionise the tyre industry worldwide."

On November 11 you report that Goodyear was closing the British plant, employing 70, and transferring the technology to Ohio and Luxembourg.

It seems an extraordinary state of affairs, when everyone seems agreed that industry should be investing in new technology, some are hell-bent on selling it off, worse, to vested overseas interests.

Such "intellectual asset stripping" gives little support to the popular myth that bottom-line financial management benefits technology-based companies. On the contrary, it must be obvious that this will increasingly inhibit their ability to compete in future world markets.

Eric T. Parker,
Andrews, Byrne & Parker,
63 Lincoln's Inn Fields, WC2.

Insider trading

From the Chairman, Wider Share Ownership Council

Sir,—Clive Welman (November 15) is less than fair to the City in stating that right up to the '70s insider trading was widely condoned and indeed regarded as an acceptable "perk." I can assure him that at least the better investment houses took no such view.

What many of us doubted was whether the best corrective to the insider trading that did occur was to make it a criminal offence; and one main reason for such doubts was the considerably more stringent requirements in the matter of evidence which, as you say in your leader of the same day, criminal proceedings impose. The record, both here and in the United States, does indeed tend to support this view of the matter.

The pragmatists may well be right in contending that as long as there are opportunities for profitable insider trading there will be those who will take advantage of them, and more particularly if criminal proceedings are unlikely to be brought. If this is accepted, some more radical approach may well be called for. It might, for example, be made a condition of employment (to stand the "perk" argument on its head) that fund managers and securities dealers should, in consideration of the generous salaries and fringe benefits which they apparently enjoy, refrain altogether from dealing for their own account. Their existing portfolios could be transferred to corporate or other approved trustees for the period of their employment.

Meanwhile this council naturally agrees wholeheartedly with you that the greatly enlarged coverage of share ownership increases the necessity for strong deterrence of insider trading and shares your hope that the new regulatory framework will prove effective in this regard.

Edgar Palamountain,
94 St Paul's Churchyard EC4.

Local authority services

From the Chairman, Association of Metropolitan Authorities

Sir,—I was most concerned to read the article "Government gets tough on tenders" (November 12) and I would like to put the AMA's point of view.

The AMA objects to the proposed Bill not because we fear "erosion of powers" but on several grounds. We are completely opposed to the introduction of compulsion in order to require competition in the provision of local authority services.

Many councils, including Conservative controlled authorities, have considered going out to tender on a range of services and have rejected the option in the light of local circumstances.

The Local Government Chronicle survey 1985-1986 identified that only 16 per cent of local authorities have privatised services. A massive 84 per cent have chosen to continue to provide services in-house. The survey also lists 19 examples of privatisation in reverse where councils have brought services previously contracted out back in-house. The councils are politically almost evenly balanced.

Your article does not make clear why local authorities have rejected privatisation. We share the Government's objective of securing increased efficiency and maximum possible value for money but privatisation does not lead automatically to better services.

Pressure will be put on local authorities to ignore the quality of service and the needs of the community and to concentrate on cutting costs. This will lead to worse services and bad pay and working conditions for workers. Democratic control of local services will be diminished and councils will lose the ability to control directly the services for which they are responsible. Local authorities will be left unable to guard against private monopoly and potential default of a contractor. Recent experiences of privatisation has shown that fewer firms are competing for local authority services and at present two contractors dominate the street cleaning, refuse collection, office and school cleaning markets.

Pulse has claimed that councils could save 30 per cent of their overheads by going out to competition. Why then are councils rejecting this opportunity? Because it is not true that it always costs less to privatise.

Councils will be faced with inescapable extra costs incurred by the tendering process itself. The track record of private companies in local government and the NHS is a consistent catalogue of declining quality and contractors incurring financial penalities and lost contracts for failing to carry out the job. The cheapest is not necessarily the best deal.

The facts are clear, the experience in many authorities where services have been privatised is of unswept streets and overflowing rubbish bins. Councils may pay less to outside contractors for services but worse services for the ratepayers are the result.

AMA authorities have considered the option of privatisation fully and the vast majority are not convinced that it will lead to better services and a better deal for local people.

John Layden (Councillor),
35 Great Smith Street, SW1.

Labour and industry

From the Honorary Secretary, Labour Finance and Industry Group

Sir, — In his article about Labour's industrial policy (November 13) David Thomas commiserates with the Labour Party that it lacks a dialogue with industrialists and managers and so must rely on academics and researchers for advice. Not true.

The party has the benefit of this organisation which consists of party members in senior positions in industry, finance and commerce, and this group has been active since 1972. The group has regular meetings with the relevant front-bench spokesmen, organises conferences, meetings and study groups on industrial and management matters and also publishes papers from time to time.

As a result, Labour's industrial policies have been discussed with practical managers and industrialists and many managers — particularly in the manufacturing sector — are impressed with the relevance of these policies in today's difficult circumstances.

Simon Haskel.
220, Queenstown Rd, SW8.

Drawing the line

From Mr M. Meadmore

Sir,—The map accompanying Tim Coone's article on the Falklands fishing dispute (November 12) is the best graphic representation in any British newspaper of the various south-west Atlantic maritime zones. (In the sphere of economics and law, Argentine businessmen, by discounting the mystical claim to the "Malvinas," are showing a like appreciation of reality, which one hopes Argentine politicians and the brick-throwing activists they excite may one day emulate.)

The legal entitlement of Britain and thus the extent of the disputed maritime area, however, is somewhat exaggerated in the map. Britain is not making a claim to Argentine waters: the Foreign Secretary made clear on October 29 that the Falkland Islands' 200 mile fisheries limit is subject to delimitation (ie, to an equitable or median line) with Argentina. The conservation zone, too, is drawn a little inaccurately: it is not a circle of 150 miles radius but is what geometricians would be quick to distinguish—the major segment of that circle.

M. R. Meadmore.
8 Pennard Road, W12.

The new strategy

From Mr R. Heinemann

Sir,—The Chancellor's statement appears to have given the original Tory economic strategy a decent burial some time after its death.

The original contention was that public spending tended to create excess money supply resulting in higher inflation. The PSBR has been doctored by asset sales and is no longer a good guide to fiscal stance. Sterling M3 targets are now disregarded and the exchange rate target level is unknown. The new generosity with tax payers money is not supposed to lead to higher inflation presumably because velocity has declined, itself largely a result of higher real interest rates.

The new strategy is therefore, one of high interest rates, required to keep the pound up and velocity down. It is difficult to see how this is a recipe for renewed non-inflationary growth by British Industry.

R. P. Heinemann.
12, Greystoke Rd,
Caversham, Reading.

FINANCIAL TIMES

Wednesday November 19 1986

Soviet bombs create a wasteland

Richard Evans finds little evidence of Moscow's claim to be moderating the Afghanistan conflict

AERIAL bombardments of Afghan villages have been stepped up in recent weeks despite Moscow's promise to withdraw some 8,000 of its troops from the country. Thousands more refugees are fleeing across the border to neighbouring Pakistan.

Much of Paktia province, where I travelled for a week with Mujahideen resistance fighters, has become a virtual wasteland. The fertile valley of Skandar Khel was home to around 30,000 Afghans before the Soviet invasion of December 1979. Today only a few farmers remain, obliged to work their fields by night, hiding from Soviet bombing during the day.

During the past month, jets and helicopters have flown daily bombing missions against Skandar Khel and other nearby valleys. Mujahideen gunners harass the attacking aircraft with heavy machine gun fire and occasionally shoot one down.

Despite their air superiority the Soviets have made little headway in controlling much of Afghanistan's mountainous countryside. Nearly 90 per cent of the country remains in the hands of the Mujahideen. Soviet influence is confined to the environs of Kabul and other large towns.

A few British and US surface-to-air missiles have now found their way into guerrilla hands, but they are not nearly enough to tip the strategic balance of the war in favour of the resistance.

Mujahideen spokesmen and Western aid workers returning from Afghanistan tell of increased Soviet bombing throughout the country. "The aircraft came in several times each day and it turned into a real mess," said Michael Barry, a co-ordinator for the French medical relief organisation "Medecins du Monde." Mr Barry recently returned from a trip to Afghanistan's central highlands.

"The Soviets are using such heavy bombs that many villagers are killed outright," said Lemarine de Torsiac, a young French nurse accompanying Mr Barry. "You see more dead than badly wounded."

Other reports tell of the heavy bombing of crops and harvests in the northern provinces of Balkh, Kunduz and Badakshan, which border the Soviet Union. In many places the rural economy has been wrecked, perhaps beyond repair. Repeated bombing of irrigation canals has often made farming impossible even for those willing to risk becoming the targets. Prices of imported food have spiralled.

Moscow recently began the withdrawal of 8,000 of its estimated 130,000 troops from Afghanistan, but at Skandar Khel there is no evidence of any Russian effort to moderate the conflict.

Fresh bomb craters 40ft wide dot the landscape. Local cemeteries have grown to the size of villages.

"The entire civilian population of the area has been driven out," said Mujahideen commander Mohammed Nawaz at his base in the Pakistan mountains. "While this is a tragedy, it also allows the resistance to fight more freely."

Commander Nawaz claimed that in the past the Mujahideen have often been hampered in their efforts to launch attacks on Soviet military posts by the fear of enemy revenge raids on villages. "But where the villages are already empty we have nothing to lose," he said. The guerrilla leader heads some 1,000 armed Mujahideen in Paktia province.

Resistance fighters counter the daily Soviet bombing raids on Skandar Khel by launching night attacks on nearby Soviet and Afghan communist outposts. Although food is in short supply the Mujahideen have adequate stocks of RPG-7s and BM-12 anti-tank rockets, acquired from China, the Middle East, or captured from Russian units.

An attempt by Soviet ground forces to pacify the area around Skandar Khel failed 10 days ago when the Majahideen ambushed an armoured convoy coming up the valley from Gardez, capital of Paktia province. Three Soviet tanks were destroyed and the remainder withdrew.

In a second incident, Mujahideen guerrillas recently ambushed a Soviet regiment leaving Afghanistan as part of Moscow's partial troop withdrawal, killing 35 Soviet soldiers.

Mujahideen leaders are sceptical about Moscow's stated intention to find a peaceful solution to the war. "The fighting is not decreasing," says Gulbuddin Hekmatyar, who heads the nationwide Hezb-i-Islami resistance party. "In fact it is escalating in many regions." Western diplomats working in Pakistan also indicate they see little sign of a let-up in the war.

There are fears that the latest bout of Soviet crop-bombing may lead to a widespread famine in Afghanistan this winter. The destruction of harvests this autumn comes after three years of drought and growing food shortages.

Despite the increased campaign of terror against Afghanistan's civilian population, resistance morale remains high. At Skandar Khel, groups of encamped guerrillas are determined to thwart any future Soviet effort to occupy the valley. They are dug into the surrounding hills and could only be dislodged by an all-out ground attack.

Such an attack would result in heavy casualties for both the guerrillas and the Soviet troops. The Mujahideen are generally skilful in waging close-order battle, and they have become experts at laying anti-tank and anti-personnel mines. To face such enemies on the ground in unfamiliar terrain is an option Moscow appears unwilling to try.

Richard Evans is an American writer and journalist living in London. He specialises in southern Asian reporting and recently returned from his third trip to Afghanistan.

Amnesty International report, Page 4

IEA forecasts slow rise in oil prices

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

WORLD oil consumption is likely to rise fairly slowly for the rest of this century, putting only moderate upward pressure on prices, according to an unpublished study by the International Energy Agency (IEA) in Paris.

The study, which set out to investigate the effects of the collapse of oil prices this year, suggests that prices are likely to remain close to the range of $15 to $20 per barrel until about the middle of the next decade.

If prices were to rise significantly higher than this, the study suggests that demand for oil would be choked off. At much lower prices demand would rise relatively rapidly, thus enabling oil producers to achieve higher prices after a year or so.

With the price assumed to remain in the $15 to $20 per barrel range in real terms (1986 prices), oil demand in the industrial world would be expected to rise by about 3m to 5m barrels per day (b/d) by 1990 or about 2 to 3 per cent a year. However, growth in demand is expected to decelerate quite quickly during the next decade as prices become firmer.

If oil prices had remained at last year's level of about $28 per barrel, demand would be expected to rise at about 0.8 per cent a year.

In the early 1990s, the study suggests, demand for oil from the Organisation of Petroleum Exporting Countries (Opec) will have risen to over 20m b/d compared with 16 to 17m b/d at present. Some of the smaller producers would be pumping oil at full capacity, so it is thought that Opec would then have a good chance of pushing up prices.

However, rising prices in the 1990s to $30 or a little more per barrel would tend to reduce the growth of demand again. The study suggests, therefore, that by the late 1990s demand for Opec crude would be unlikely to rise much above 27m or 28 m b/d with its present production capacity of about 30 m b/d.

The price outlook in the IEA study is described as a working assumption rather than a forecast. However, it is clear that the agency's analysis has led it to conclude that real prices much below $15 or above about $25 per barrel are unlikely to be sustained for very long during the period under study up to the year 2000.

The rise in demand for oil is expected to come mainly from the transport sector rather than from power stations and industrial boilers. However, the agency's analysts believe that prices at the low end of their range could stimulate some additional consumption in power stations.

The analysis is complicated by the long lag observed between a change in oil prices and a change in patterns of consumption. This year's fall in prices may not have fully worked through into consumption until the early 1990s.

The IEA's findings are based on data from member countries and oil companies. It has not yet decided the form in which it will publish its results.

Siemens faces attack in US

BY PETER BRUCE IN BONN

SIEMENS, the West German electricals group, is likely to face a strong bipartisan political attack in the US Congress over claims that the company violated US local content laws on a California mass transit rolling stock contract.

The new threat to Siemens' plans for expansion in the US follows a ruling in March by the Urban Mass Transportation Administration (UMTA), a federal agency, which said Siemens broke US "buy American" laws in its $24m contract for 26 carriages for a Sacramento light rail project. The federal agency said local content fell "substantially" below the required minimum. The law is triggered when federal funds are involved.

The expected congressional assault could prove particularly damaging for the West German group, whose efforts to break into the lucrative US market for telephone switching equipment are already being investigated by another government agency, the Federal Communications Commission (FCC).

Siemens has described the US telephone market as "vital" to its long-term survival as an independent supplier of telephone switching equipment. The West German group has also come into conflict with the US authorities because of its bid for CGCT of France – a bid in which it is in direct competition with American Telephone and Telegraph (AT&T), the US telecommunications group.

The FCC claims that the West German Government has unfairly backed Siemens' offer for CGCT. The Commission recently asked for details of Siemens' current and possible future contracts with the seven regional Bell telephone holding companies and has said it will propose a new rule giving it authority to bar US telephone companies from buying foreign switching equipment.

Now, in letters written late last month to Mrs Elizabeth Dole, the US Transportation Secretary, two senior Congressmen have called for Siemens to be punished for its alleged violation of the local content laws on the rail contract. They have also protested at a proposed compromise between Siemens, its customer and the UMTA which would allow the contract to go ahead, even though 15 of the carriages do not contain enough US parts. These carriages were built in West Germany before the UMTA ruling.

Political furore in US, Page 6

France to ease currency curbs

Continued from Page 1

number of measures aimed at liberalising France's credit policies and announced plans for helping individuals and companies to renegotiate fixed-rate loans taken out between 1980 and 1983 at a time of very high interest rates.

He repeated that the *Encadrement du credit*, the French system of quantitative credit controls, would be abolished on January 1 in favour of a monetary policy carried out through the money market, backed up by a system of prudential ratios and mandatory reserves.

In addition, certificates of deposits issued by banks will be permitted with maturities down to 10 days from March 31 next year, instead of a minimum of three months as at present. Commercial paper issued by other companies will be permitted up to a maximum maturity of seven years, instead of two years.

Mr Balladur's measures for helping the renegotiation of fixed-rate loans are mainly aimed at home buyers who took out loans at fixed rates, or even at rates that rise progressively over the life of the loan. At a time of very high interest rates, and who are now facing severe financial difficulties. Borrowers will be allowed to refinance their loans without losing tax advantages.

World Weather

		°C	°F
Ajaccio	F	20	68
Algiers	C	18	64
Amsterdam	F	8	48
Athens	S	16	61
Bahrain	C	26	79
Bangkok	S	32	90
Barcelona	S	16	61
Beirut	—	—	—
Belfast	F	4	39
Belgrade	C	5	41
Berlin	S	10	50
Biarritz	F	14	57
Bombay	S	30	88
Bordeaux	S	15	59
Brussels	C	9	48
Budapest	F	10	50
B. Aires	C	26	78
Cairo	F	21	70
Cape Town	F	23	73
Caracas	C	26	79
Casablanca	S	18	64
Chicago	S	11	52
Cologne	C	10	50
Copenhagen	F	8	46
Corfu	S	20	68
Dallas	—	—	—
Dublin	C	6	43

		°C	°F
Dubrovnik	S	18	64
Edinburgh	S	5	41
Faro	S	20	68
Florence	C	12	54
Frankfurt	F	9	48
Funchal	C	18	64
Geneva	S	10	50
Gibraltar	S	20	68
Glasgow	S	5	41
Guernsey	R	12	54
Helsinki	C	4	39
H. Kong	C	18	66
Innsbruck	F	8	46
Inverness	S	4	39
Isl'mabad	C	26	79
Istanbul	F	11	52
Jakarta	R	31	88
Jersey	R	12	54
Jo'burg	S	27	81
Lima	S	20	68
Lisbon	S	16	58
London	F	12	54
Los Angeles	S	23	74
Luxembourg	F	7	45
Madrid	S	12	54
Majorca	S	17	63
Malaga	S	20	68

		°C	°F
Malta	T	15	59
Manchester	S	7	45
Manila	C	32	90
Melbourne	F	14	57
Mexico City	C	25	77
Miami	C	30	86
Milan	C	11	52
Montreal	C	8	46
Moscow	C	1	34
Munich	F	9	49
Nairobi	C	24	75
Naples	S	18	64
Nassau	—	—	—
New Delhi	S	23	73
New York	S	13	55
Nice	S	18	66
Nicosia	S	21	70
Oporto	S	14	57
Oslo	S	5	41
Paris	S	11	52
Peking	S	9	49
Prague	F	8	46
Reykjavik	F	−1	30

		°C	°F
Rhodes	S	19	66
Rio de J'o	S	35	95
Rome	S	15	59
Salzburg	C	8	46
San Francisco	S	21	70
Seoul	S	11	52
Singapore	S	29	84
Stockholm	C	8	46
Strasbourg	S	12	54
Sydney	C	17	63
Taipei	R	21	70
Tangier	S	18	66
Tel Aviv	C	13	55
Tenerife	F	22	72
Tokyo	S	18	61
Toronto	C	18	58
Tunis	C	17	63
Valencia	F	16	61
Venice	F	12	54
Vienna	C	7	45
Warsaw	C	8	48
Washington	—	—	—
Zurich	C	10	50

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

YSL buys US perfume group

Continued from Page 1

restructuring programme by Squibb to shed its less profitable non-pharmaceutical businesses and concentrate its operations in the health care field.

In July the company spun off its lacklustre medical electronics operation into a new company called Westmark International.

Mr Richard Furland, Squibb chairman, said the sale would "reunite the Yves St Laurent cosmetic and fragrance business, currently operated by Charles of the Ritz, with the rest of the Yves St Laurent business".

He said this should improve Charles of the Ritz's competitive position worldwide.

UK court delays pioneering bank plan

By Raymond Hughes and David Lascelles in London

A PIONEERING plan by Scandinavian Bank, the large London-based consortium bank, to hold its capital in a mixed basket of foreign currencies rather than just in sterling has been delayed by the High Court.

Mr Justice Harman, whose approval for the plan the bank sought at court hearings in September and October, has decided that he needs an independent opinion on its legality.

He has asked the Attorney-General to appoint an *amicus curiae* – literally, a friend of the court – who would be able to present an outside view. This would probably be prepared by the Treasury.

Scandinavian Bank's application has potentially far-reaching implications for UK company law because it would establish whether a UK-registered concern could denominate its equity in several currencies. This is an important issue for companies, particularly banks, which hold large non-sterling assets and are vulnerable to exchange-rate fluctuations.

Mr Garrett Bouton, the bank's chief executive, said yesterday that he understood the first available court date was in the second week of December. The bank is anxious for a ruling before December 31, when its financial year ends, and intends to write to the court to point this out.

Scandinavian Bank, which is UK-registered but owned by five Nordic banks, is the UK's eleventh largest bank with shareholders' funds of £115m ($163m). It wants to redenominate that sum in the proportion of 50 per cent dollars, 23 per cent sterling, 15 per cent Swiss francs and 12 per cent D-Marks.

In his evidence to the court, Mr Bouton stated ; that the breakdown of the Bretton Woods agreement and the abolition of fixed parities for exchange between currencies had led to significant exchange rate movements.

Currency case crucial for banks, Page 13; Siemens results forecast, Page 21

Ministers set Eurofer deadline for steel cutback

By William Dawkins in Brussels

EUROPEAN industry ministers yesterday agreed to lift production quotas for galvanised sheet steel and welcomed proposals by the EEC's major producers to make voluntary capacity cuts.

Their decision, at a meeting in Brussels, means that the proportion of community steel output subject to price and production controls will fall from 65 per cent to 60 per cent next January.

This is a long way short of the European Commission's own proposals to scrap quotas for three further products besides galvanised sheet, wire rods, light sections and merchant bars. This would reduce to 45 per cent the share of output subject to EEC control.

However, the move is designed to give Eurofer, the European integrated steel producers' association, a breathing space until March 1 to produce alternative plans to cut excess capacity voluntarily instead of being forced to accept a free market for more products.

Eurofer told the Commission last week that it was prepared to shed 11.9m tonnes of production capacity between the middle of next year and 1990, more than half of the 19.9m tonnes of overcapacity it estimates would have built up in the EEC by then.

In exchange, it asked the Commission to keep in place until 1990 the six-year-old system of price and production controls, which is officially due to be run down by the end of 1987.

Industry ministers have given Eurofer until next year to come up with "detailed and specific proposals" as to how and where the cuts will fall.

They have deferred until next March any decisions on whether to go ahead with the Commission's proposals to lift quotas for wire rod and merchant bar – areas where independent producers are strong – and the lighter types of heavy sections.

Mr John Butcher, UK Junior Industry Minister, said: "The Eurofer initiative is not seen as an excuse to stall on the issues. The March deadline is a message that Eurofer must be very serious in implementing their avowed objectives."

He said that it should also be seen as an opportunity for more Eurofer independent steel producers to come up with matching capacity cuts.

Some member states had doubts over the ability of Eurofer's 22 member companies to agree on who should make the cuts, an attitude shared by the Commission. Mr Karl-Heinz Narjes, the Industry Commissioner, told the meeting that Eurofer's estimates of the size of overcapacity were in any case optimistic and gave the plan a 50 per cent chance of success.

Steinberg lifts Mercury stake to 13%

By David Lascelles in London

MR SAUL STEINBERG, the US corporate raider, yesterday increased his stake in Mercury International Group, the UK parent of the S.G. Warburg merchant bank.

MIG said it had been informed that Mr Steinberg's Reliance Group had bought 3.5m shares. In addition to those he already owns, this would bring Mr Steinberg's stake close to 13 per cent. A spokesman for Mr Steinberg in New York declined to comment.

Under UK disclosure rules Mr Steinberg must declare any change in his holdings in Mercury within five days. On the Stock Exchange, Mercury shares closed 21p higher at 411p, down slightly from the day's high of 415p.

The purchase follows Mr Steinberg's renunciation last month of his one-year-old standstill agreement with Mercury, whereby he agreed to hold his stake at 10 per cent. He said he was dissatisfied with the management of the group and was acting to protect the interests of its shareholders. His announcement said he might raise his stake to more than 15 per cent.

Mercury last night stood by its position that the group should remain independent, without a dominant shareholder, and that it did not welcome Mr Steinberg's increased investment. He is already Mercury's largest shareholder.

His New York spokesman said it was inaccurate, as some press reports had done, to describe Mr Steinberg as an arbitrageur, since such activity was prohibited for executives of insurance companies, of which Reliance is one. Arbitrageurs trade the stocks of potential takeover candidates in the hope of making rapid gains.

THE LEX COLUMN

A premium for panic

Hysteria about Aids seems to have swept even more quickly through the Fund management community than among those most at risk from the disease.

So far purchases of condoms in the UK have not increased, while purchases of London International Group shares have raced ahead. The US condom market is now growing – at about 5 per cent a year – and multiples on companies expected to profit from Aids are even higher than LIG's.

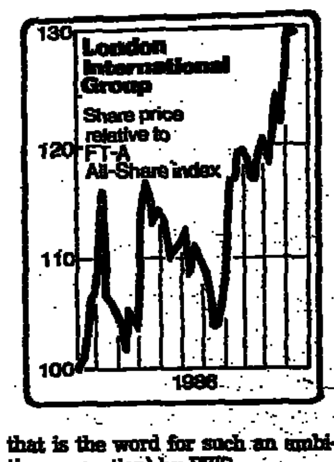
The UK is no doubt merely lagging the US trend, and with some help from the next Government education programme, LIG can look forward to increasing UK sales in a year or so and perhaps an even higher p/e.

The short-term caution accompanying yesterday's interims, which showed a pre-tax profit gain of 16 per cent to £12.2m, knocked 11p off the share price to 236½p. Even so, the prospective multiple on profit forecasts of £28m (£24.1m) is still over 18½.

The Government's advertising for LIG's products is not free and the extra spending on research and product development is likely to exceed any Aids-related gain in the current year. But as nearly 30 per cent of LIG's profits are made from the family planning and surgeons' gloves businesses (the latter selling well to dentists), LIG could see a significant benefit in a couple of years.

LIG has also had to spend to generate sales in its Royal Worcester Spode division. That was hit so hard in the first half by tourist hysteria that it may not make up the shortfall in the second half.

Here, too, the return on promotional investment will come later. But once the profit from its Wedgwood stake is included, LIG will have net cash at the year end, and with its Aids-boosted multiple, it is no doubt looking for acquisitions, although not the size of Wedgwood. Earnings dilution does not look likely to be a problem.



C E Heath

Shareholders in C E Heath must be deeply bemused by the conflicting claims of the two candidates to take over the management of their company.

At today's meeting, they can effectively choose whether Heath should try to solve its problems by taking over Fielding, or vote against and leave open the possibility that it should be taken over (if that is the word for such an ambitious operation) by PWS.

Nobody outside the insurance market can take a strong view as to which would be likely to make a go of the rather trampled inheritance that Heath represents; but there is little doubt that if Fielding is acquired, a very full price will have been paid by the Heath shareholders.

Metal Box

Metal Box has much in common with a man who has just stopped banging his head against a brick wall. The relief at not having to throw the group's earnings into below-the-line restructuring must be blissful. The difference is that although pre-tax profit increased by £7.4m to £38.6m in the half year to September, attributable profit came up from nothing to a little over £30m. Indeed, the scale of rationalisation at Metal Box is now so small that such provisions as are being made have to be taken against trading profit.

Though the rate of progress is still modest – nearly half the profits increase is a holiday from pension contributions – the direction is certainly right. Earnings are now being generated in acceptable places, and from products with a bit of technological edge to them, as the increasing flow of licensing income confirms.

The challenge is to keep the cash coming from old product lines while the new are brought to the point of profitability. Though some highly-publicised novelties do not make it, Petainer being a hope that seems perpetually deferred by environmentalists, others do: the squeezy sauce bottle is making an encouraging start, notwithstanding Mrs Currie's stricture on diet. At 175p, down 2p, the shares can at last assume that the earnings potential will mostly arrive at Metal Box's bottom line; but the single figure multiple suggests that the City still wonders how fast Metal Box can grow in a desperately competitive world market.

Gas

Next month a multi-billion gas transmission company will make its debut on the London stock market. Its borrowings are about 300 per cent of shareholders' funds and the shares yield around 1.5 per cent. No, the Government has not decided to tighten the terms of the British Gas offering. These are some of the vital statistics of Coastal Corporation, a US gas transmission company whose shares are to be listed in London on December 4, the day after the British Gas offer closes.

It is bold of Samuel Montagu to effect such an introduction at a time when the markets are being pumped with much higher yielding gassy shares. But then Coastal is not actually trying to sell new shares. It is also true that while British Gas is no growth stock, Coastal can boost earnings by retiring about $300m a year of junky debt incurred in the acquisition of American Natural Resources. More speculatively Coastal was this month awarded $726m damages against Occidental. Who knows, Coastal may one day even collect part of the award.

Yet Coastal's premium rating over British Gas is much more a reflection of the greater optimism with which US investors view prospects for the oil and gas industry. UK investors may view with horror the state of the US natural gas industry since deregulation last year has combined with a continued oversupply of gas to create intense competitive pressures.

Naturally the sponsors of the British Gas flotation are not making much of the fact that the UK government has at least technically deregulated UK gas supply, and removed British Gas's monopsony powers. But it is difficult to see British Gas suffering from US-style competition, even assuming that the major oil companies want to sell in small quantities to the end user, rather than whole fields at a time to British Gas. BG has the enormous built-in advantage of being able to sell from cheap first generation North Sea fields through pipelines in which the marginal transmission costs must be close to zero.

All-round drop in executive opportunities

BY MICHAEL DIXON

"IT IS an ill wind turns none to good," observed the poet Thomas Tusser. But the wind currently chilling the advertised demand for executives and higher-ranked specialist staff in the United Kingdom seems to be an exception—as witness the table alongside.

It is drawn from the latest of the checks of job advertisements which have been made every quarter-year since 1959 by the MSL International recruitment consultancy. The figures show that over the 12 months to September 30 none of the eight categories of executive-types listed has done as well as it did in the previous 12-month period.

The award for the least bad performance goes to accounting and finance specialists with a decline in demand of only about 2 per cent. Even there, however, the fact that the fall has been so minor it attributed by the consultancy's managing director, Scott Anderson, to the "knock-on effect all over the whole UK of the big bang recruitment frenzy."

If so, once the said frenzy is straitjacketed, what next?

Although some of the Jobs column's best friends are accounting and finance people, there is one development I would not wish to see over the coming months. It is the demand for those specialists starting to go up while the call for all the other types continues to slide down.

Whatever the decline in the intake of higher-ranked staff by companies in Britain, no sign has reached me yet that they are again taking the axe to managerial workers. But if the development I mentioned began to occur, I would start to have fears. Experience over the years has suggested that the massing of accounting people at the tops of companies, like the arrival of cuckoos in nests, is a sign that other kinds of creature are about to be ejected.

Even without that sign, the trends in the advertised market are less than propitious. The demand for computing specialists is down between the latest two 12-month periods by 13.5 per cent, and for "Others"—including lawyers, economists and various internal consultants and such—by 14.4.

The production-management group has suffered a 21.5 per cent drop. Worst of the lot, the number of openings for research, design and development staff has plummeted by over 40 per cent to a total close to that of 1981-82 when the UK executive employment market was only just starting to recover from the worst slump yet recorded.

One reason may be that in former times a lot of people coming in the R and D category were recruited by companies in and around the oil business. What has been happening to the energy industry's demand for upper rankers is sadly spectacular. In the 12 months to the end of September 1985 it was 4,367 jobs-worth. Since then it has totalled only 2,230.

Moreover it is evidently continuing to fall. From 920 in the final quarter of last year, it went to 659 in January-March, 352 in April-June, and to only 299 in July-September.

The overall drop in recruitment by other high-technology industries has been still greater. Over the two latest 12-month periods it fell from 6,151 UK advertised openings to 2,968. But it mercifully seems to have stabilised at that level.

Fortunately the position is better in the only two other industries on which MSL International makes particular checks. The higher-rank intake of food, drink and tobacco is down between the two 12-month stretches from 1,150 to 994. But retailing's demand is up a bit — from 1,038 to 1,125.

UK ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF
(12 months to September 30)

	1985-86		1984-85		1983-84		1982-83		1981-82	
	Posts advertised	Share of total %	Post advertised	Share of total %	Posts advertised	Share of total %	Posts advertised	Share of total %	Posts Advertised	Share of total %
R & D	4,263	12.8	7,129	17.7	7,538	19.3	6,702	20.9	4,234	17.6
Marketing	6,068	18.3	6,566	16.2	6,932	17.8	6,257	19.5	5,025	20.9
Production	5,152	15.5	7,267	18.0	6,767	17.3	5,473	17.1	3,964	16.5
Accounting	6,368	19.2	6,492	16.1	5,923	15.2	5,079	15.9	4,333	18.0
Computing	3,724	11.2	4,304	10.6	3,958	10.2	2,715	8.5	1,748	7.3
Personnel	900	2.7	963	2.4	1,057	2.7	855	2.7	593	2.5
General Mgt.	1,277	3.8	1,308	3.2	1,313	3.4	1,271	4.0	1,131	4.7
Others	5,484	16.5	6,407	15.8	5,503	14.1	3,642	11.4	2,987	12.5
Total	33,236	100.0	40,436	100.0	38,991	100.0	31,994	100.0	24,015	100.0
Oct-Dec	8,596	25.8	8,893	22.0	8,560	22.0	6,468	20.2	4,986	20.8
Jan-March	8,804	26.5	11,624	28.7	10,637	27.2	9,100	28.4	6,617	27.5
April-June	8,172	24.6	10,412	25.8	10,034	25.8	8,340	26.1	5,590	23.3
July-Sept	7,664	23.1	9,507	23.5	9,760	25.0	8,086	25.3	6,822	28.4

Searchers

WHAT seems even more fortunate is that although advertised recruitment is falling, for the second week in succession the Jobs column has been asked to find consultants for an agency specialising mainly in unadvertised recruiting of executives.

The openings are with CRC International which has sprung from what, by the standards of the headhunting trade, is the old if not venerable Cambridge Recruitment Consultants.

CRC's chief, Geoffrey King, wants someone with extensive contacts in high-tech companies as well as thorough understanding of executive-search operations at very senior levels, to join him at the consultancy's London base. The salary indicator is £40,000 with profit share and car among the other benefits. Inquiries to Mr King at 168 Sloane Street, London, SW1X 9QF; Telephone 01-235 0168.

His fellow director John Graham, who works from Cambridge, is seeking an unspecified number of skilled selection consultants with wide acquaintanceship across industry in general, as distinct from just the high-techlonogy parts. Salary indicator is up to £30,000, again with profit-share and car.

Inquiries to Mr Graham should be addressed to 1a, Rose Crescent, Cambridge, CB2 3LL. Telephone 0223 311316.

Counsellor

THE GOOD sign of headhunters seeking their own kind may seem to be a bit tarnished by today's last offer. It comes from Peter Rooke at London-based Executive Action — a careers consultancy, which is usually a euphemism for a redundancy counselling concern.

But Mr Rooke assures me that he and his colleagues are retained to give advice on career matters to people who are securely employed as well as those on or beyond the skids. Candidates should have experience in senior management, and be skilled negotiators. Salary around £15,000 with bonus expected to add at least another £10,000.

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Work with us and you'll work at home and abroad on several different projects a year – mostly at companies boasting billion pound turnovers. You can expect to gain in-depth knowledge of foreign and domestic treasury procedures and financing techniques which will give you the competitive edge when it comes to career progression.

Naturally, the demands on your ability will be considerable. Especially adept at imposing creative and practical solutions on complex strategic problems, your self-belief and ambition will therefore be crucial to your success.

If you are aged 26-36 with a degree or an MBA and have spent at least the last two years in the treasury field, we'd like to talk to you.

And, if you are interested in joining a company where people find success, please send your résumé, including a daytime telephone number, quoting ref. F 01/35, to Bob Lockwood, Coopers & Lybrand Associates, Plumtree Court, London EC4A 4HT.

Coopers & Lybrand

UK Equity Sales
London and Tokyo

Due to an increase in international business our client needs to add to their sales team dealing with Japan.

In LONDON, the requirement is for a person with a sales or research background to sell UK Equities to Japanese institutions. Ideally, candidates should speak fluent Japanese and have a track record of successful client contact, not necessarily acquired specifically in UK Equities.

In TOKYO, the requirement is for an English speaker, with a good research-based knowledge of UK Equities. The ability to speak Japanese would be an advantage. Based initially in Tokyo, there will be a need for frequent travel.

These two opportunities carry substantial responsibilities and are critical to the development of our Japanese business. Career prospects are excellent and the reward package will appeal to the ambitious.

Please write with full details. These will be forwarded direct to our client. List separately organisations to which they should not be sent. Brian Woodrow, ref. BGW/B/1.

MSL International, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

Equity Sales
£20,000–£100,000 Plus

Our established expertise in City recruitment has given us close contacts with the institutional departments in many of the City's most important securities houses, both UK and international.

Big Bang not withstanding, demand for those with a successful track record in institutional equity sales is very strong at all levels of seniority. This means we are able to match candidates' and clients' objectives to achieve the best possible results.

If you wish to discuss a significant career move or would simply like to be kept informed of market developments, please contact **Anna Robson** or **Sally Poppleton** at the Securities and Investment Division, 39-41 Parker Street, London WC2B 5LH, or telephone 01-404 5751. Strictest confidentiality assured.

Only those with relevant City experience should apply.

Michael Page City
International Recruitment Consultants–London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Financial Information Service Support
A new service — A new era

Recent deregulation of the London Stock Exchange has again emphasised the urgent need in the City for innovative and technologically sophisticated financial information services. To address this need, our client, an international leader in the manufacture and supply of advanced IT systems, is about to launch an exciting new Financial Information Service to the UK market.

The product is a real-time quotation and financial information service delivered through a personal computer or mini computer. It provides real-time quotes of any asset traded (stocks, debt instruments, options and futures) on any exchange in the United States and Canada. While comprehensive information is provided on each asset, the main advantage of the product is its use of an intelligent workstation to study and monitor the relationship between assets and provide a unique presentation service. Users can create their own strategies involving any of the traded assets and monitor market developments in real-time.

In anticipation of the UK launch of this product early next year, two Customer Support Specialists are now required for pre and post-sales activity. Responsibilities will include the introduction of new customers to the service and the ongoing support and education of users. The Support Specialists will also participate in the design and implementation of enhancements to the UK service and the continuing integration of the service with our clients' full range of information processing hardware and software.

Candidates must have a thorough working knowledge of Futures and Options Markets and be familiar with the use of computer technology in this environment.

In return for your valuable experience, our client will provide comprehensive product training and a highly-competitive salary, accompanied by a generous package comprising company car, pension, private health care, life assurance and stock purchase schemes.

To apply, please send full cv which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent). Ref: J8062/FT.

PA Advertising

Hyde Park House, 60a Knightsbridge, London SWIX 7LE.
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WEST MIDLANDS ENTERPRISE BOARD LIMITED
Venture & Development Capital
INVESTMENT EXECUTIVE
£14,862-27,126

The West Midlands Enterprise Board is a regional development agency providing investment finance, training, technical advice and other facilities for expanding businesses in the West Midlands region. The Board provides equity and long-term capital for developing unquoted businesses and, in addition to investing in its own funds, WMEB is joint manager with Lazard Securities Limited of the £6m West Midlands Regional Unit Trust.

The Board wishes to recruit two Investment Executives to work on their own initiative, as members of a team of six executives, reporting to the Deputy Chief Executive—Investment. Each executive will be responsible for appraising investment proposals coming to the Board, negotiating appropriate financial packages, making recommendations on new investments to the Directors of the Board and supervising legal implementation of approved investments. He/she will also have responsibility for post-investment management of part of the total portfolio.

The Board is seeking candidates o fhigh quality. In addition to a university degree or professional accountancy qualification, candidates will be expected to have at least three years' industrial, merchant banking, venture capital, or post-qualification experience. Sound judgment of people and commercial opportunities is an essential quality for the work, also a keen interest in assisting the successful development of business through an interventionist and publicly accountable development agency.

An attractive salary, on a scale from £14,862 to £27,126, will be offered to candidates with appropriate experience. The Board also has an attractive pension scheme and can offer assistance with relocation expenses to appropriate candidates.

Further particulars and an application form are available from:

Assistant Chief Executive
West Midlands Enterprise Board Limited
Wellington House, 31-34 Waterloo Street, Birmingham B2 5TJ
WMEB is an equal opportunities employer
...Closing date: 12 December 1986...

STRATEGIC CONSULTING FOR THE FINANCIAL SERVICES INDUSTRY

Age: 28+ | London Based | Attractive package

To augment our existing resources of talented management consultants we wish to recruit outstanding people with a proven track record of strategy consulting experience in financial services and with business development and project management skills.

If you have consulting experience with financial institutions in Europe, UK, US and Middle East in fields including:

- Diversification strategies
- Organisation development and managing change
- Marketing and business strategies
- Setting operating performance standards
- Systems strategies

...and would respond with enthusiasm to the challenge of making an important contribution to a dynamic and expanding financial services practice we would be pleased to hear from you.

Write to Mark von Bergen, Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU, quoting reference B9000.

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Our growth record makes us one of the most successful groups in the rapidly expanding financial services industry. Our Investment Division, with its excellent performance record, now has over £400 million under management and we are continuing the rapid expansion of Crown Unit Trust Services to meet the boom in demand for unit trusts.

Our expansion has created several new opportunities for professionals at a senior level reporting to our Unit Trust Marketing Director.

Unit Trust Sales Executives

Working alongside our existing broker consultants in London and the regions, you will be responsible for developing sales through stockbrokers, insurance brokers, financial planners and investment advisers. You will preferably have some unit trust experience but more important are the skills and qualities you display.

Manager — Marketing Services

You will write, design and produce all our sales aids and promotional material, marketing both within our existing distribution areas and direct to the public through press advertising. You will have excellent oral and written communication skills and experience of a marketing function, probably in a financial environment.

Manager — Advisory Services

A key area of our development is the new advisory services department. You will form the new Link Line Service Desk and will answer all customer and intermediary queries as well as providing advice and information on portfolio structuring and unit trust investment performance. You will have relevant experience and be seeking the opportunity to create your own team.

In return for your skills we will offer excellent remuneration packages for the right people to reflect the importance and seniority of these roles.

If you feel you can match our needs please write with full C.V. quoting ref 357, to Andrew Rudge, Human Resources Manager, or telephone Stuart Perilli, Marketing Director Crown Unit Trust Services, at Crown Financial Management Group, Crown House, Woking, Surrey GU21 1XW. (04862) 5033.

CROWN FINANCIAL MANAGEMENT

MATHEMATICIANS · STATISTICIANS · ECONOMETRICIANS

Security Pacific and Hoare Govett are a powerful partnership – among the market leaders over the whole range of capital market products. We offer mathematicians, with some bond or swap experience, the chance to join a company in which professionals can be involved across product groups and really get things done. Prospects are excellent and offer the chance of rapid progress towards director level appointments. Preferred age range for applicants is 22-30.

Please write with a full cv to:
Rodney Barker, Hoare Govett Ltd, Heron House,
319-325 High Holborn, London WC1V 7PB.

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HOARE GOVETT

SYDNEY **Jonathan Wren** LONDON HONG KONG

INVESTMENT MANAGEMENT

Jonathan Wren is a leading consultancy with over 10 years experience of investment management assignments. Our services are currently retained by a substantial number of major institutions, some of whose requirements are listed below:-

Position	Institution	Salary Level
Senior UK Manager	Major institution	to £70,000
European Fund Manager	Major institution	to £50,000
Unit Trust Manager	Investment company	to £50,000
UK Fund Manager	Merchant bank	to £45,000
Far East Fund Manager	Major institution	c£30,000
US Fund Manager	Merchant bank	c£30,000
Private Clients Fund Managers	Merchant banks/stockbroker	£20,000 to £40,000
Junior Bond Manager	International bank	c£20,000

We would be delighted to discuss these and other relevant positions with candidates who have current experience and expertise in stockbroking or fund management. Applicants should note that as 'register search' consultants we are able to offer employers and candidates alike a service which offers maximum market coverage. Complete confidentiality and professionalism is guaranteed by our established market credibility.

Please contact Roger Steare and Mark Forrester.

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266

Corporate Dealers

Our client is one of Britain's major international banks, with extensive assets and a vast international network.

The Bank has an excellent reputation in the treasury field and, due to expansion, is seeking to recruit professional Corporate Dealers to join an already highly successful team in their City-based International Banking Division. Responsibilities will encompass the servicing and marketing of both traditional and innovative treasury services to the corporate sector.

Applications are invited from candidates, aged 25-32, who have at least 2 years' experience in this field. They should also possess a sound understanding of the foreign exchange and money markets, together with the maturity and ability to advise and develop relationships with major customers.

Remuneration will be highly competitive and will include the usual generous banking benefits.

Please apply with comprehensive C.V., to Ref: RL 695, Robert Marshall Advertising Limited, 44 Wellington Street, London WC2E 7DJ.
Please list separately any organisations to which your details should not be forwarded.

ROBERT MARSHALL ADVERTISING
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44 Wellington Street, London WC2E 7DJ.

TREASURY MANAGEMENT

Assistant Treasurer

Anglia is looking to increase its Treasury Team to take advantage of the new opportunities available to building societies created by recent changes in legislation and the new market environment following 'Big Bang'.

Responsibilities will include dealing in Gilt-edged and other marketable securities. During 1987 there is likely to be an involvement in stock lending, futures and options. Experience in this area is required together with the ability for taking decisive action which must be based on sound economic and technical knowledge of the markets.

A new dealing room with the latest technology has just been installed which demonstrates the importance the Society places on the Treasury function for the future.

The job is located on the outskirts of Northampton in rural surroundings but is still within easy reach of the City. The remuneration package will incorporate a range of benefits including a car, pension scheme, subsidised mortgage facilities, BUPA and relocation expenses where applicable.

Interested? Please write with full career history and current salary details to our Consultant, Kevin Mitchell, at Austin Knight Selection, Tricorn House, 51-53 Hagley Road, Birmingham B16 8TP, quoting ref. ABT 530.

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BUILDING SOCIETY

A leading U.S. Bank

Forward Foreign Exchange Dealers

London **New York**

Our client is one of the most respected financial institutions in the world.

As part of further global development and to keep ahead of market changes, the bank has decided to expand its forward foreign exchange dealing capability. It is therefore appointing a number of key individuals in London and New York.

To join the team you will need to demonstrate substantial experience in forward trading in the major currencies or the exotics. Probably a graduate aged 25-35, you will show the sophistication of approach which is bred in a high calibre institution.

In return you will be offered remuneration and prospects second to none.

For further details please contact Victoria Ward Krickic on 01-404 5751, or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH. Strictest confidentiality is assured.

MP
Michael Page City
International Recruitment Consultants – London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

BWI

Analyst

Buttle Wilson, one of New Zealand's leading stockbrokers and investment bankers seeks an experienced analyst for its newly-formed UK subsidiary.

The jobholders functions will be to provide written analysis on UK companies likely to be of most interest to the company's NZ client base and also on the general UK market scene.

The position will appeal to someone who wants an interesting and varied role, who is a good communicator, an independent self-starter and who wants to work in a small but professional office.

Please write in strict confidence to:

R. L. Mitchell
Buttle Wilson International Limited
3 Gracechurch Street
London EC3V 0AD

ASSISTANT INVESTMENT MANAGER

TUNBRIDGE WELLS

Age 25-35 **Package: c. £25,000 & Car**

We are understandably proud of our reputation as an innovative health insurer. Over a million people now enjoy the flexibility of our schemes and know the high quality of the service which we provide.

Due to the Company's continued expansion and the resulting growth in funds under management a new position of Assistant Investment Manager has been created to strengthen our small specialised Investment Department. Reporting to the Investment Manager the jobholder will contribute to the overall development of the Company's investment policy and will assume responsibility at an early stage for the Company's fixed interest portfolio. The successful candidate is likely to have at least five years' experience of fund management, preferably with a major institution, and should be able to demonstrate a thorough knowledge of UK bond markets together with other fixed interest instruments such as options and futures. Experience of overseas markets would be an added advantage. Applicants should be graduates or hold an appropriate professional qualification.

This position will appeal to someone who is keen to join a small team where there is the potential to make a significant contribution to the continued successful growth of the funds under management.

In addition to a competitive salary our excellent benefits package includes company car, generous relocation assistance, subsidised mortgage, free PPP health insurance, subsidised catering facilities and contributory pension and life assurance scheme.

To apply, please submit full C.V. stating current salary, to:
EILEEN MILLMAN, SENIOR PERSONNEL OFFICER

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PPP House, Crescent Road, Tunbridge Wells, Kent TN1 2PL
Telephone: Tunbridge Wells 40111

Director of Engineering

It is the policy of the BBC, when seeking to fill its most senior appointments, to consider applications from within and outside the Corporation.

Applications are now invited for the post of Director of Engineering in preparation for the impending retirement of Mr. Bryce McCrirrick, F.Eng., F.I.E.E., F.I.E.R.E.

The Director of Engineering has direct responsibility for the Engineering Division, which comprises Transmission and Specialist Engineering Departments totalling some 3,000 staff, and functional responsibility for engineering standards throughout the BBC. The post carries membership of the Corporation's Board of Management.

This is a most senior appointment demanding managerial and professional skills of the highest order.

Suitably qualified applicants are invited to write in the strictest confidence, giving full details of career to date, to Christopher Martin, Director of Personnel, BBC, Broadcasting House, London W1A 1AA, to arrive no later than 8th December 1986.

BBC
We are an equal opportunities employer

CREATIVE BANKER

We are currently recruiting on behalf of a leading International Investment Bank, which has a reputation for an innovative and individual approach to its clients' financing needs.

Its Product Development team seeks a Manager aged mid-late 20s to assist in developing, marketing and implementing new financing products and techniques over a wide range of situations but initially in the field of asset-backed finance/securitisation.

The ideal candidate will be a graduate, an enthusiastic self starter who combines general debt financing expertise with some exposure to capital markets products and who enjoys the challenge of problem solving.

Rewards will be high in terms of career prospects and attractive salary package.

For further information please call Sara Bonsey.

16, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

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Human Resources Management

Investment Banking

City **c £25,000 + benefits**

The growth of this young and highly regarded investment bank has been impressive and its operations now extend to Tokyo, New York and other financial centres. The bank enjoys a leading reputation as an international underwriter and it aims to play an increasingly important role in the global securities market.

Continuing expansion – the bank expects to double its total staff over the next two years – has led to the need for an additional high calibre individual to join the well established and highly professional team responsible for human resources. Your main role initially will be concerned with all aspects of recruitment. You will, however, become increasingly involved in career and management development and the establishment of training programmes, as well as new systems and procedures to meet the changing demands of the organisation. There is a flexible and responsive style of management.

Probably under 30, you must have had experience of recruitment, ideally in the investment banking or financial services sector, or in an organisation with a strong reputation for its professionalism in the human resources area. Some background in performance appraisal, career development, training and organisation behaviour would be an advantage. An outward going personality is essential, together with the enthusiasm, tough-mindedness and imagination to make a strong contribution to the growth of the bank.

There are excellent prospects for career progression and a first class banking remuneration package.

Please write in confidence to John Cameron quoting reference CF717 at 84/86 Grays Inn Road, London WC1X 8AE (telephone 01-404 5971).

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TRADER - U.S. EQUITIES

Well established U.S. securities firm requires experienced trader with knowledge of the third market for new London branch to cover institutional accounts in the UK and on the Continent. Must be a Registered Representative with block trading background. Attractive remuneration package in the 30%+ range plus good career growth potential.

Reply in confidence with C.V. to Box A0340
Financial Times
10 Cannon Street
London EC4P 4BY

EXECUTIVE SEARCH

Lewis Briggs International is an established management consultancy serving blue chip British industrial companies.

We wish to widen the base of our business in the executive search field by appointing a Senior Consultant.

We are looking for a senior director who has had a successful career in either the financial service or international engineering sector. We anticipate that the appointee will be a qualified professional who has come to realise that the best opportunities for career and personal development lie in developing a business that relies directly on experience, contacts and entrepreneurial skills.

The financial rewards of successful executive search reflect the high level of expertise and drive required. The opportunities, therefore, can represent a very attractive career move.

Please contact David Lewis, Managing Director,

Lewis Briggs International
Suite 15, Harcourt House, 19A Cavendish Square, London W1M 9AD.

CJA

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35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
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Senior Officer appointment for entrepreneurial key player in New Business activities, with scope to advance to General Manager level within 2-3 years.

CJRA

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CITY

Negotiable remuneration £50,000–£70,000 + car + mortgage

PROMINENT AND EXPANDING INTERNATIONAL MERCHANT BANK

Applications are invited from merchant banking executives, aged mid 30's/early 40's, who are established marketing players, yet keen to further enhance their market presence through their new business development and management capabilities. A second European language ability will be an advantage. As the selected candidate you will report to the Head of New Business and be responsible for controlling and leading from the front an already well established new business team. Personal writing of business with multinational corporations will be key, as will be the ability to devise and implement strategic plans for marketing successfully to clients in UK, Europe and elsewhere worldwide. There will also be an emphasis on developing new instruments and products appropriate to our clients' needs and co-ordinating the new business activities of overseas offices. Whilst the remuneration package, by way of high basic salary and performance bonus, is likely to be in the range of £50,000-£70,000, our client will tailor the package to attract the best merchant banking talent. Banking benefits include car, mortgage subsidy, and non-contributory pension. Applications in strict confidence under reference MBE 18454/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

Career development opportunities for skilled analysts with management potential, offering excellent prospects for promotion to a business development role.

CJRA

SENIOR CREDIT ANALYST
POTENTIAL MANAGER

CITY

£20,000–£22,000 plus generous benefits package

INTERNATIONAL MERCHANT BANK

Our client requires a senior credit analyst to further strengthen their Credit Team. Candidates, who are likely to be aged in their mid 20's to early 30's, probably graduates or equivalent, will ideally have completed a formal US bank credit training programme. Applicants must have had at least two years' significant practical credit experience and have potential to progress into a business development role in the future. The selected applicant will be responsible for evaluating and reporting on credit risks in the portfolio. Specifically, these responsibilities will include: assisting with new proposals by identifying and quantifying risks and advising on how to minimise risk; carrying out credit reviews as well as many other varied and interesting regular and ad hoc assignments. Initial base salary £20,000-£22,000 plus generous benefits package including a mortgage subsidy and non-contributory pension. Reference SCA18450/FT.

CJRA

CREDIT ANALYST

CITY

c.£17,000–£18,000

This same client also requires an analyst aged mid to late 20's with a minimum of one year's sound credit experience. This is an ideal opportunity for someone wishing to move into a business development role in the short term. Reference: CA18450/FT. Applications in strict confidence, quoting the appropriate reference above, will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH.

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Reed City has been established to serve the recruitment needs of the investment and commercial banking sectors, stockbrokers and international financial institutions. Backed by Reed Executive plc, the major recruitment services group, Reed City is independent but soundly based, with well-located offices in the city and ambitious plans for growth over the next few years.

As one of our Consultants, you'll deal with City institutions old and new with the highly able, successful men and women whose skills are undoubtedly at the core of these organisations' success.

This means you must be very confident of your skills in understanding the markets, the clients and the individuals. You'll already have worked in a City-based recruitment consultancy with demonstrable success, and be keen to take your next career step.

If you have the qualities we're looking for, including a flexible approach and the determination to succeed in a demanding environment, you'll enjoy a generous basic salary and the opportunity to earn a high level of commission. So, why don't you call Caroline Baker on 01-491 3230 and convince her that you're one of the people we need. Alternatively, send your CV to Anne Barrett, Riley Advertising (London) Limited, Rex Stewart House, 159 Hammersmith Road, London W6 8BS.

REED
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Credit Analysts

A number of exciting and challenging opportunities exist for Credit Analysts who have excellent analytical and communication skills.

Aged 22-30 you will ideally have one or all of the following:

★ U.S. bank credit training
★ Minimum one year's banking experience
★ A European language
★ A knowledge of Capital Markets

Salary will be negotiable according to age and experience.

If you possess the required skills then please contact Julia Cartwright or Fiona Collins on 01-404 5751 in strictest confidence or write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH, quoting reference 3702.

MP
Michael Page City
International Recruitment Consultants–London Brussels NewYork Paris Sydney
A member of Addison Consultancy Group PLC

SENIOR METALS ANALYST

Shearson Lehman Brothers is one of the world's largest and most successful financial organisations, with a major presence on the London Metal Exchange and the world bullion markets.

We now have an opening for an experienced Metals Analyst whose prime responsibility will be to undertake research in the precious metals sector.

The successful candidate will be expected to assist with the unit's annual base metals reviews as well as being able to comment on and prepare price forecasts. Assistance in the preparation of the unit's Weekly Metal Review will also be required.

Apart from familiarity with the workings of the world's futures and forward metal market, experience of fundamental research and technical analysis would be a distinct advantage.

Ideally a graduate in Economics or a related discipline, you should be aged around 25-35, computer literate, highly numerate and willing to undertake public speaking engagements.

This is an outstanding and rare opportunity to join a team well known throughout the world metals industry and to work closely with Messel's successful mining and metals related equities team.

A competitive salary and benefits package will be negotiated to attract an ambitious and suitably experienced professional.

Please apply in writing only to
Loretta Smith, Personnel Manager,
Shearson Lehman Brothers,
Winchester House, 100 Old Broad Street,
London EC2M 5NS.

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ATHENS, 10033, GREECE

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£20,000

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Equity Settlements
—City
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Charged Securities Clerk
—W1/City
£12,000

F/X Settlements—SW1
£15,000

Please phone for further details on:
01-283 6791

INVESTMENT PORTFOLIO MANAGER

c. £30,000 p.a.

With particular emphasis on bonds and fixed interest investments; there will be some participation in the management of mutual funds in the US and Far East. The successful candidate will have a minimum of five years' experience with a reputable organisation.

Please contact
Shelagh Arnell
on 01-583 1661
or send c.v. in confidence to her at
ASB RECRUITMENT
50 Fleet Street
London EC4Y 1BE

Senior Investment Analyst

For Venture and Development Capital

At the Welsh Development Agency, our prime task is to promote industrial activity in Wales. A cornerstone of our approach is the provision and syndication of venture and development capital to help start up and expand businesses.

As a Senior Investment Analyst based at Pearl House in the centre of Cardiff, you'll report to the Investment Manager and will operate as number 2 in a small team of business professionals.

You will be expected to assess businesses, formulate investment proposals, obtain approvals and monitor the resulting investment portfolio. You must also be able to demonstrate:-

– numeracy
– social skills
– management ability
– common sense
– motivation

A financial sector background appropriate to investment work, accompanied by extensive industrial experience is desirable. Additionally, you must possess a good degree and/or a relevant professional qualification, and may also hold an MBA.

Salary is negotiable within the range £17,000 - £18,500.
Please send a CV including salary history to:-

WDA
Welsh Development Agency

Stephen White, Executive Director (Investment)
Welsh Development Agency
Pearl House, Greyfriars Road, Cardiff CF1 3XX
Telephone: Cardiff (0222) 32955 ext. 310

US Investment House

Career opportunity exists for a young Economics graduate to join our Corporate Finance Department. Superior analytical skills, coupled with sound judgement and an inquisitive mind are essential requirements for the post. Excellent academic credentials are also essential. The successful applicant is likely to have computer proficiency and to have a demonstrated history of achievement.

Applications to:
A. T. Smith, Vice President
GOLDMAN SACHS INTERNATIONAL CORP.
5 Old Bailey, London EC4M 7AH

International Appointments

ABU DHABI NATIONAL OIL COMPANY

ADNOC is one of the major oil companies in the Middle East controlling the Exploration, Production and Processing of Oil, Gas and Associated Products in Abu Dhabi.
The Company wishes to recruit in its Data Processing Services Directorate a:

DP TRAINING EVALUATOR

The candidate is expected to perform the following:

1. Develops and participates in the implementation of special DP induction training and career development programmes for U.A.E. Nationals.
2. Surveys and quantifies requirements for training in all aspects of DP, both for DP staff and users.
3. Plans a cost-effective DP programme. Co-ordinates and participates in the implementation of this plan.

The candidate should have a B.Sc degree in Computer Science or a quantitative discipline plus a minimum of 8 years experience in Data Processing of which 3 years related to training. It is advantageous for the candidate to have experience in training in telecommunications.

Interested candidates are invited to forward their applications together with photocopies of their education and experience certificates, within three weeks from the date hereof, to:

THE HUMAN RESOURCES DIVISION MANAGER
PERSONNEL DIRECTORATE
ABU DHABI NATIONAL OIL COMPANY (ADNOC)
P.O. BOX 898, ABU DHABI — U.A.E.

ASIAN DEVELOPMENT BANK

The ASIAN DEVELOPMENT BANK is an international development finance institution established for the purposes of lending funds, promoting investments and providing technical assistance to developing countries and generally, for fostering economic growth in the Asian-Pacific region. Its membership comprises forty-seven countries, thirty-two of which are from the Asian-Pacific region and fifteen from Western Europe and North America. The Bank's Headquarters is in Manila, Philippines.

The Bank offers challenging opportunities to highly qualified and experienced professionals who seek employment on a career or fixed term basis. Applications are invited for the position of:

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday November 19 1986

Armani plans major expansion of US and European outlets

BY ALAN FRIEDMAN IN MILAN

GIORGIO ARMANI, doyen of Milan's fashion scene and one of Italy's most famous designers, is planning an international expansion with the opening of 150 Emporio Armani outlets in the US and 30 new shops in Europe.

The five-year plan, the biggest foreign retail venture by an Italian clothes company since the launch of the Benetton network, could cost more than $80m.

Emporio Armani, the designer's secondary line, was aimed at a young and casual market and would be priced below the level of usual Armani fashion but above that of Benetton, the company said.

The design house, which last year made an operating profit of L47bn ($33.6m) on turnover of L282bn, derives about a third of revenues from the Emporio line.

There are six Armani boutiques in Milan, Rome, Bologna, New York, London and Paris. Armani also supplies 72 Emporio franchises in Italy and 312 stores which sell Emporio in Europe.

Most of the 150 new shops in the US will be franchises, although Armani plans to own four or five "flagship" outlets in key cities. The average cost of opening an Armani shop in the US is $500,000, while the cost for the European outlets will be about $300,000.

The Emporio line was launched five years ago originally as a jeans line but has since expanded to include casual and even more formal clothes. Armani employs 123 people in Italy and farms out production to Italian manufacturers such as the Società Italiana Manifatti (Sim) of Modena.

Sim, a casual clothes manufacturer which recently went public on the Milan bourse, last year made net profits of L9.6bn on turnover of L82.6bn.

Mr Eduardo Salvia, managing director of Sim, said yesterday that the international successes of Italian fashion were making this sector attractive for new investment and stock market quotations.

Mr Salvia announced yesterday that Sim was shortly to launch a 50-50 joint venture company with Giorgetto Giugiaro, the car designer, to create a new fashion line. Giugiaro has designed for Fiat, Lancia, Ford and American Motors.

The new clothes company, which hopes to reach sales of L10bn in the next 12 months, may also be floated on the Milan bourse.

Other fashion deals are said to be under preparation in Milan with stockbrokers sitting down with designers for the first time to discuss fund-raising and share issues.

Mr Carlo De Benedetti recently bought 25 per cent of France's Yves Saint-Laurent and hopes to bring the leading French fashion name to the bourse as well. Japan's Kashiyama trading group recently took control of the Milan-based Luciano Soprani fashion house in a deal which is expected to be followed by others.

Italy is likely to export L12,500bn ($8.9bn) of men's and women's clothes and knitwear this year, a forecast increase of 20 per cent on last year. The Italian clothing industry, which employs 326,000 people, is thus one of the world's biggest exporters and in menswear is Europe's largest exporter, followed by West Germany and France.

Bank halts work on Fermenta prospectus

By Kevin Done, Nordic Correspondent, in Stockholm

SVENSKA HANDELSBANKEN, Sweden's second largest commercial bank, which has traditionally served as the house bank of Fermenta, the troubled Swedish antibiotics and animal health group, has withdrawn from work on an offer prospectus for the sale of part of Mr Refaat El-Sayed's personal holding in the company amid continuing uncertainty over the future ownership of Fermenta.

Mr El-Sayed, Fermenta's main shareholder and chief executive, is planning to offer 3m to 4m B shares to existing Fermenta shareholders as part of his efforts to raise cash to pay off his pressing debt burden.

He accumulated debts of around SKr 1.4 bn ($202m) at the beginning of the year as a result of his abortive co-operation deal with Volvo, and the first repayment of around SKr 500m is due in mid-December.

Two wage earner investment funds, which were to have bought 600,000 of the B shares from Mr El-Sayed and were to have underwritten the offer of a further 2.3m of a total of 3m B shares to existing Fermenta shareholders withdrew from the deal at the weekend.

Their involvement had been dependent on a new industrial partner coming into Fermenta, and prospects for this now appear bleak following the successive collapse of ownership deals with both Montedison, the Italian chemicals group, and Procordia, the Swedish state holding company.

Handelsbanken's role as guarantor of the offer prospectus may well be taken over now by Götabanken, the medium-sized Swedish bank, which has also maintained a close relationship with Mr El-Sayed.

Mr Tommy Marklund, head of the bank's investment banking division, said that Götabanken had begun work on the prospectus on Monday. "Handelsbanken was working with it previously," he said. "But they did not want to have their name in the prospectus.

"We have not decided yet whether we will go ahead with it, but we will decide at the beginning of next week."

Mr El-Sayed's earlier sale of 1m A shares (the A shares have one vote, and the B shares one-tenth of a vote) to Beijer. The investment company, is also threatening to come unstuck.

BORG-WARNER GOES ON THE DEFENSIVE AFTER TAKEOVER SPECULATION

Fending off the corporate raiders

BY DAVID OWEN IN CHICAGO

MR CLARENCE "Red" Johnson, president and chief executive of Borg-Warner, may be doing his utmost to play down suggestions that the accelerating stream of company restructuring announcements constitutes a defensive reaction to current takeover speculation.

But last week's decision to sell its financial services unit marks an abrupt, if not altogether unexpected, change of tack for the company which has been steadily building up the financial services division for more than a decade.

Mr James Bere, chairman, is credited with picking out the long dormant financial services business for rapid growth in the mid-1970s. It has since grown into the 14th largest finance company in the US.

Meanwhile, services of all kinds (as opposed to manufacturing) benefited from the group's diversification in 1978 into security guard and cash transportation services, and earlier this year into consumer credit reporting. These activities, which Borg-Warner lumps together as services, have expanded to account for about 50 per cent of net assets compared with 15 per cent in 1976.

Recently, however, the sector has fallen on hard times, losing $16.2m in 1985 because of discontinued insurance operation losses and problems with agricultural loans. While the business has staged a moderate recovery in the first nine months of 1986, posting a $30.5m profit, the company has evidently decided to proceed with the sale of the financial services side while several potential buyers are still on the horizon.

The announcement closely follows last month's decision to sell the company's industrial products subsidiary – a mixed bag of pump, mechanical seal, nuclear values and defence control system manufacturers – and the spin-off last March of its $634m air conditioning business.

Assuming the group follows Mr Johnson's plan to make no further major divestitures over the next year, it will be left with the two remaining services units (guard services and credit reporting) two core manufacturing business – automotive components and chemicals.

The automotive division which includes transmissions, engine controls, drive chains and ayles, has been struggling to cut costs in recent years, under pressure from intense worldwide competition and generally depressed demand. Performance in the chemicals division, meanwhile, has given more cause for encouragement – particularly in Europe, where thermo-plastics sales have been strong since last year's joint venture with CdF Chimie, the French state chemicals group.

Overall, the company's performance has been flat for the past five years. Net earnings, which totalled $172.1m ($2 per share) on sales of $2.6bn in 1981, rose to only $178.5m ($2.01 per share) on sales of $3.3bn in 1985. But what really singles Borg-Warner out as a potential target for corporate raiders is the lack of cohesion between its various business units. The company's structure seems almost tailor-made for an acquisition partially financed by the sale of unwanted divisions.

This partly explains the recent accumulation of major holdings in the company by both Mr Irwin Jacobs, the Minneapolis investor, and GAF, the New Jersey chemical group. Mr Jacobs recently raised his stake in the company to 7.6 per cent while GAF has admitted holding a 9.6 per cent stake, almost half in the form of options. Both may also have been influenced by Borg-Warner's announcement in September that it plans to buy back as many as 15m of its 86.7m outstanding common shares as another part of its restructuring programme.

GAF is a much smaller company than Borg-Warner but it appears particularly well placed to launch a hostile takeover bid. It has accumulated a sizeable cash hoard partly as the result of a similiar attempt last year gain control of troubled Union Carbide. GAF collected $115m from its disposal of a large block of Union Carbide stock earlier this month.

Analysts point to Borg-Warner chemicals subsidiary, particularly its engineering plastics operations, as a prime target for GAF and further reason that the New Jersey concern would be happy to spin-off either or both of the protected services and automotive divisions to offset any debt in curred.

Yet Borg-Warner would not be easy prey. Earlier this year Chicago company adopted an anti-takeover provision involving the distribution of stock purchase rights to shareholders. Analysts believe it has effectively cleared the decks for a staunch defence by announcing its intention to sell its financial services interests. The debt which the company would have to take on to actuate a successful defence would, they reason, have risked lowering its credit ratings, potentially hitting the finance subsidiary's ability to fund itself.

There is also the matter of the Robert Bosch group's 9.3 per cent interest in the company which it has held for some nine years. The West German automotive parts maker has an agreement with Borg-Warner not to increase its stake in the company, and is seen by some as a possible "white knight" in the event of a last-ditch defence.

So how likely is this staid and solid performer to fall into enemy hands? Mr Heller believes that the real "bottom line" is the company's break-up values which he puts at $36 to $44 a share – "conceivably $47." If this assessment is accurate, and bearing in mid that both apparent suitors would turn a neat profit by cashing their chips at the current $41.25 per share market price, in Mr Heller's words "the chances of takeover not developing are greater."

Both Mr Jacobs and, Mr Samuel Heyman, head of GAF, are practised exponents of the corporate raider's arts – Mr Heyman gained control of GAF in 1983 after a protracted two-year fight. Mr Johnson's Borg-Warner could face a battle royal if it is to retain its independence.

Nixdorf increases turnover by 17%

By Andrew Fisher in Frankfurt

NIXDORF COMPUTER, the West German company which has just announced plans to raise more money through a DM 500m bond issue, lifted turnover by 17 per cent to more than DM 2.8bn ($1.4bn) in the first nine months of 1986, said Mr Klaus Luft, chairman.

Profits were growing at an even faster rate. Last year, Nixdorf's net profits spurted ahead 43 per cent to DM 172m. But for the fall in the dollar against the D-Mark, turnover would have grown faster this year.

Including the premium for the equity warrants, the bond issue will raise DM 725m for Nixdorf, which has already tapped the West German stock market for nearly DM 2bn in the past three years. Mr Luft said that capital spending this year would be some 30 per cent higher at DM 600m, with a further 20 per cent rise likely in 1987.

The spending would be split roughly equally between West Germany and foreign markets, where Nixdorf projects include a new software plant in Singapore and a service centre in London.

Mr Luft made clear that the money was not being raised so that Nixdorf could pursue US acquisitions, taking advantage of the strength of the D-Mark as have other German companies. Nixdorf's aim was to grow as much as possible internally.

The decision to issue the new bonds with equity warrants reflected growing foreign interest in Nixdorf's shares, he said. The bonds, in DM 5,000 denominations, will each have five warrants with an entitlement to 10 shares (five ordinary and five non-voting preference).

Siemens to hold its dividend at DM 12

BY PETER BRUCE IN BONN

SIEMENS, the West German electricals and telecommunications group, said yesterday it planned to pay an unchanged DM 12 dividend for the year to September 1986. It expected net profits to total DM 1.5bn ($748m), little changed from last year.

The Munich-based company, which has a worldwide workforce of 360,000 said, however, that orders for the year had fallen from DM 51.8bn to DM 50.2bn and that group turnover, which increased 19 per cent in 1984-85, had fallen 14 per cent to DM 41.1bn.

Siemens implied that both the order and the turnover figures had been distorted by fluctuations in the nuclear power plant market. Domestic orders had risen 2 per cent but the company said that if nuclear plant orders were excluded the rise totalled 10 per cent.

Similarly, if nuclear plant sales were excluded from the comparison, total group turnover actually increased by 2 per cent. In 1984-85 it had built three nuclear power plants and none in the year just ended.

The weakness of the dollar, the company said, had caused orders from abroad to fall 7 per cent to DM 25.9bn, although they had increased in volume.

Turnover would rise sharply this year, partly with the help of a new nuclear power plant.

Siemens said that it had invested DM 6.2bn during 1985-86, up nearly 50 per cent, and said it had spent a record DM 5.5bn on research and development.

Phelps Dodge to buy Columbian Chemicals

BY STEFAN WAGSTYL IN LONDON

PHELPS DODGE the fast-recovering US copper company, is buying Columbian Chemicals Company, a privately-owned producer of carbon black.

The price has not been disclosed and has yet to be finalised, but is understood to be in the region of $250m. The acquisition is Phelps Dodge's second major purchase this year – in September it bought a two-thirds stake in Chino Mines Company, a New Mexico copper producer from Kennecott which is a subsidiary of BP's US offshoot, Sohio, for $93m.

Mr Robert Durham, Phelps Dodge's president, said Columbian Chemicals would fit comfortably in the group. Its earnings would be less cyclical than copper's so would help bridge the deep troughs that periodically affected copper.

After plunging into loss in the early 1980s, Phelps Dodge has returned to profit in the past two years by cutting costs in its core copper operations and selling assets to reduce debt.

Columbian Chemicals, which is based in Atlanta, Georgia, made a profit of $23.2m on sales of $305m in 1985. It has five US plants and five abroad, including one at Avonmouth in the west of England.

Carbon black is mainly used to strengthen natural and synthetic rubber.

AT&T buys stake in optics group

BY HILARY BARNES IN COPENHAGEN

AT&T, the giant US company, has established a bridgehead in Europe for marketing optical fibres by acquiring a 51 per cent share in the NKT, the Danish electro-technical group.

NKT has a group turnover of DKr 2.2bn ($293m). Its optical fibre plant near Copenhagen has an output capacity of about 30,000km a year which it sells to the Danish telecom administration, Kuwait, Switzerland, Eire and the three other Nordic countries.

The advantage of the deal to AT&T is that it gains direct and immediate access to the EEC and Nordic markets. For NKT, the link with AT&T will strengthen its position as a potential exporter of optical fibre.

NKT recently obtained an order, which has not been finalised, to provide the technology for an optical fibre factory being set in India by the state-owned Hindustan Cables. The value of the contract is, about DKr 240m.

The Danish part of the contract will be financed with soft loans from the Danish aid administration and final contracts are expected to be signed within the next few weeks. The deal in India will not be affected by the link with AT&T.

Coca-Cola cuts unit selling price

By Our Financial Staff

COCA-COLA, the US soft drinks group, said it cut the expected price for the initial offering of Coca-Cola Enterprises, a bottling subsidiary, to $18 to $21 a share from $21 to $24.

The new expected price range for the offer – one of the largest initial offerings on Wall Street – was filed in an amendment to its registration statement with the Securities and Exchange Commission.

May Stores earnings up in quarter

By Charles Hodgson in New York

MAY DEPARTMENT Stores, the large US retailer, yesterday reported improved third-quarter net profits of $73.6m, or 47 cents a share against, $58.5m, or 37 cents, in the corresponding period last year.

May, which this week announced the sale of its Joseph Horne unit in a leveraged buyout, said sales in the quarter rose to $2.5bn compared with $2.28bn in the 1985 quarter.

The Missouri-based retailer said the latest figures reflect pretax charges of $174m related to its $2.47bn takeover in July of Associated Dry Goods, the large New York department store group, which owns the Lord & Taylor and J. W. Robinson chains.

The figures also include pretax gains of $149.4m resulting from the sale of various properties.

For the nine months, May reported net profits of $167.9m, or $1.06 a share, compared with $151.4m, or $1.06, in the 1985 period.

Nine-month sales rose to $7bn against $6.43bn.

Dayton Hudson, another of the top six US stores groups which is involved in a significant restructuring, said that higher income tax rate and inventory accounting charges were responsible for a decline in its third-quarter profits.

Net income from continuing operations was $51.9m, or 54 cents a share, compared with $56.8m, or 58 cents, a year earlier, despite increased sales of $2.33bn against $2.07bn.

For the nine months, the Minnesota based group reported net profits from continuing operations of $127.2m, or $1.31 a share, against $130.3m, or $1.34, on sales of $6.5bn, compared with $5.85bn.

Banco de Bilbao lifts profits by 23%

By David White in Madrid

BANCO DE BILBAO, Spain's fourth largest bank, registered a 23 per cent increase in its consolidated net profits for the first nine months to Pta 20.6bn ($152m).

The figure surpassed the group's earnings of Pta 19.1bn for the whole of 1985, which was 30 per cent up on the previous year.

The parent bank's pre-tax profits were almost 28 per cent higher for the nine-month period at just under Pta 17bn. It told shareholders it had consolidated its leading position among Spanish banks in terms of lending volume, with a 13 per cent increase to Pta 119.2bn over the past 12 months compared with the sector's average growth of 8 per cent.

Customers' deposits had meanwhile risen by 14.5 per cent to Pta 190.6bn, against an average growth of less than 4 per cent in the banking sector as a whole.

The bank said that its emphasis on banking services had enabled it to maintain a large proportion of cheap deposits and that the cost of its liabilities had been reduced to 4.81 per cent compared with 5.65 per cent at the end of last year.

Income from services rose 6 per cent to Pta 18.7bn in the nine-month period, while general running costs, excluding wages, were reduced by 7 per cent.

INTL. COMPANIES AND FINANCE

First Interstate pursues $3.4bn struggle for rival BankAmerica

BY WILLIAM HALL IN NEW YORK

FIRST INTERSTATE Bancorporation, the US West Coast banking group, has refused to drop its $3.4bn bid for BankAmerica, its ailing rival, indicating that the battle for control of America's second biggest banking group is far from over.

First Interstate has said its board unanimously directed the management to continue its efforts to bring about a merger of First Interstate and BankAmerica. "All directors and management remain convinced that a combination of the two companies provides advantages so overwhelming to all parties that we would be remiss in our responsibility if we did not pursue every prudent measure to bring about such a merger," a statement from First Interstate said.

First Interstate's decision to press ahead with its takeover plans for its larger competitor comes a fortnight after BankAmerica had asked it to drop its bid so as to give BankAmerica's new management team time to see if they could conquer the group's serious problems.

First Interstate said yesterday that it felt that it was in the best interests of the shareholders of both companies for its proposal to "receive a proper evaluation and be acted upon." Its decision not to drop its bid, which is worth about $22 a share, is embarrassing for BankAmerica since the group cannot legally ignore an offer which is at a substantial premium to the group's current share price of $15⅝.

BankAmerica announced plans to bolster its capital ratios and sell up to $19bn of assets last week but this had no immediate impact on the group's share price which remained unchanged.

Fourfold profit rise at Bear Stearns

By Our Financial Staff

BEAR STEARNS, the largest US investment bank and brokerage firm, achieved a more than fourfold increase in net income for the second quarter to October. Earnings were ahead at $[illegible]m, or 52 cents a share, from $12.1m, or 15 cents.

The result was after a 4 cents-per-share loss related to the creation of an irrevocable trust to provide for the redemption of 13 per cent notes.

Before this loss, net profit for the quarter was $[illegible]m, or [illegible] cents a share.

For the first six months Bear Stearns showed net earnings up at $[illegible]m, or 85 cents, against $42.2m, or 52 cents. After the loss on the redemption, the half-year total this time was $72.14m.

Revenue for the latest three months reached $[illegible]m, up from $418m a year ago.

The figures for last year include the results of Bear, Stearns and Co, the predecessor partnership, restated as if the partnership had been conducted as a corporation for the corresponding period.

Big demand for Bank in Liechtenstein shares

BY OUR FINANCIAL STAFF

BANK in Liechtenstein (BIL) said its first public share offering was oversubscribed "many times."

Trading in the stock is expected to begin tomorrow on the over-the-counter market in Zurich, Geneva and Basle. The shares are said to be changing hands unofficially at SFr 1,700 ($ 1,062), nearly three times the issue price of SFr 600.

BIL, which is controlled by the principality's ruling family, decided last month to go public with an offering of non-voting shares to selected clients.

The bank proclaimed the issue "extremely successful" and financial analysts speculated that it might tap the market again soon with a similar operation to help finance its ambitious expansion programme.

Gillette moves to block Revlon

By Our Financial Staff

GILLETTE, the US razor and consumer products group, has filed an amended claim in a federal district court in Boston seeking to enjoin further purchases of its stock by a group led by Mr Ronald Perelman, chairman of Revlon, the US health care and beauty products group, on the grounds the purchases violate federal securities law.

The group has bid $4.1bn for Gillette.

Rio Algom offers six banks control of mine

BY BERNARD SIMON IN TORONTO

RIO ALGOM, the Canadian arm of Britain's RTZ mining and industrial group, has asked a group of six banks to take control of North America's only primary tin producer as a result of the collapse in tin prices.

The fate of the new mine, at East Kemptville, Nova Scotia, remains uncertain. Rio Algom said it was willing to co-operate with the banks to keep the mine open.

An official at Bank of America Canada, leader of the consortium which financed construction of the mine, said: "We're reviewing our options." The banks have until mid-December to notify Rio Algom of their plans. Other members of the lending group are Chemical Bank, National Bank of Canada, Montreal Trust, Mitsui Bank and Barclays.

East Kemptville has debts of about C$140m (US$101.5m) in the form of financing secured by mine assets without recourse to Rio Algom. Rio Algom said yesterday that, in the event of the banks taking control of the project, the company would write down its investment of about C$20m in the fourth quarter of the current fiscal year.

The mine, which began production just four days before last year's tin crisis on the London Metal Exchange (LME), is on the point of reaching its design capacity of 9,000 tonnes of ore a day, yielding 4,400 tonnes of tin, 2,400 tonnes of zinc and 1,500 tonnes of copper concentrates a year.

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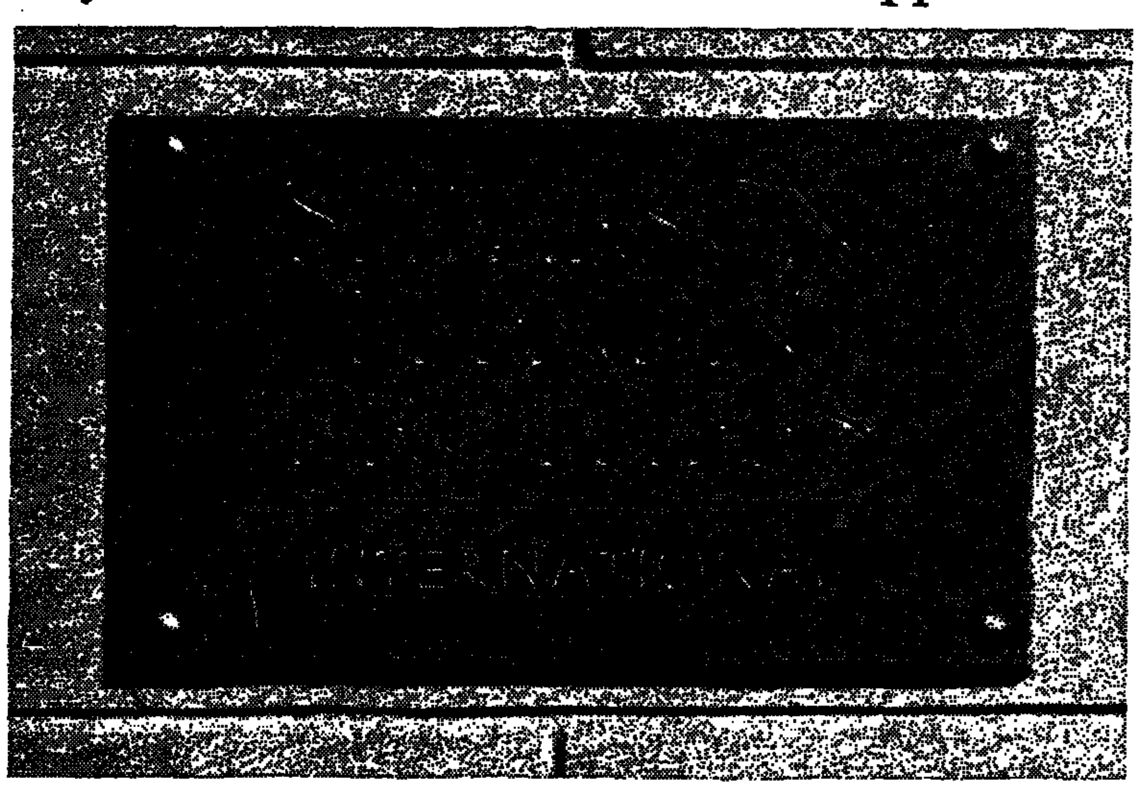

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Quentin Peel and Alexander Nicoll on EEC exchange control moves

Symbolic step towards deregulation

THE MOST remarkable feature of the European Community's moves to free cross-border capital movements from exchange controls was the speed with which the decision was taken: barely five months from being proposed by the European Commission to being approved by the 12 finance ministers.

The truth *is* that *the* measures to liberalise transactions in such investments as unquoted securities and unit trusts, on the one hand caught the mood of the moment, and on the other do not require any drastic changes from anybody.

None the less the package represents a small, if symbolic, first step on the path towards what is rapidly being perceived as a much more ambitious goal: complete freedom of capital movements within the Community—or the great majority of its member states—by 1992.

Mr Jacques Delors, the president of the Commission, has promised to table a second package of measures in the first half of next year. He knows that it will be much more difficult to swallow.

This week's moves should mean that all financial transactions related to the free movement of goods and services in the EEC should themselves be free from exchange controls in seven member states — Britain, Belgium, Denmark, France, Luxembourg, the Netherlands and West Germany. The other members have been granted exemptions until their payments balances can take the strain.

The next phase should liberate purely financial transactions not directly related to commerce: financial loans in both domestic and foreign currencies, money market operations, bank deposits and balances on current account. That means taking controls off transactions which could be purely speculative — including *currency speculation — rather* than backed by any visible purchase of assets.

It is also likely to call into question a range of other *highly sensitive issues*: not only the obvious one of how less prosperous member states and regions can prevent an outflow of capital, but also the differing tax rates of savings, prudential rules for financial institutions, and the supervision of banks in different member states.

The next round of negotiations will therefore be much more protracted and more difficult, but is the ultimate objective completely unrealistic?

"If you had asked me that question two years ago," one national banking official commented, "I would have said probably, yes. Given the present mood in the Community, I am not so sure. It could happen."

The practical effects for financial markets of Monday's directive will be limited, particularly in the short term.

Though it represents part of broader moves to harmonise and liberalise financial markets within the European Community, the package's *scope is* restricted to authorisation by member governments for the use of foreign exchange to invest in some instruments. EC directives already require such authorisation for a much broader range of more mainstream investments.

Mr Jacques Delors, president of the European Commission

With some small exceptions, however, seven of the 12 member countries have already relaxed their foreign exchange controls more than the minimum required by EC directives so far, including Monday's.

The *biggest effect would come if* Italy decides to relax foreign exchange controls. It is exempt until the end of next year from applying the existing EC *requirement, but* has been indicating it may relax foreign exchange controls soon to allow freer investment abroad.

Italy makes residents wishing to invest abroad place an interest free *deposit up to* 15 per cent of the value of the investment, subject to case-by-case exemptions.

Spain is exempt from applying the directives until 1990 and Portugal until 1992. Ireland and Greece are expected to seek continued exemptions *from them.*

The seven countries whihc have already adopted a more relaxed attitude are Britain, which has not exchange controls and thus no bar on the movement of capital; Denmark, West Germany, the Netherlands, France, Belgium and Luxembourg. There will be small effects in some of thsee countries.

The Netherlands, for example, will have to alter its rules on long-term credit and on permission for Dutch residents to buy guilder bonds issued abroad —currently this is not technically allowed but exemptions are routinely given. There may be changes by other countries which will ensure that flows of capital are two-way — so that once capital in invested, it may also be withdrawn.

The steps taken this week, however, are separate from continuing EC discussions covering the securities markets concerned. Though investors may be able to acquire foreign exchange to make the investments concerned, other domestic regulations may actually prevent them from doing so. Rather, the measures prepare the ground for more comprehensive steps in the future.

Argentina Eurobonds rated BA3 by Moody's

By Peter Montagnon, Euromarkets Correspondent

Moody's, the US credit rating agency, has announced a new rating of BA3 for Eurobonds issued by the Republic of Argentina and BA1 for debt issued by Brazil, as part of an attempt to extend the range of its rating service on sovereign borrowers.

The rating on Argentina puts its debt clearly into a category that Moody's describes as a speculative grade investment. The agency said, however, that it expects Eurobond holders to continue to receive preferential treatment compared with other creditors, given the technical difficulty of setting up a rescheduling mechanism for bondholders and the weaker leverage that can be exercised over anonymous creditors.

Its rating underlines the clear distinction that has developed in the markets national capital markets between the way in which Eurobond debt is treated when countries reschedule, and the way in which their bank debt is treated.

Mr Kenneth Pinkes, a vice president of Moody's, said yesterday that a bank credit to Argentina would not have received as high a rating as its Eurobond debt.

Indeed Moody's forecast for Argentina is rather bleak. It says it expects the country's debt burden to remain among the highest in the world with debt more than five times export earnings until 1988, and declining only slowly thereafter.

Argentina will sooner or later demand substantial concessions on the terms of its external bank debt which will "quite likely" include below market rates of interest, Mr Pinkes said. However, Moody's expects such concessions to be negotiated and, as long as they do not fail, Eurobond debt, which amounts to $509m, should continue to be serviced.

Moody's rating for Brazil, by contrast, puts its $1.2bn in outstanding Eurobonds on the borderline between speculative and investment grade paper. It warned that Brazil may face problems with its current account balance, of payments because of its expansionary economic policies.

This may make it hard for Brazil to return to voluntary borrowing on international markets, although rescheduling agreements with bank creditors "are reasonably well assured." Eurobond debt should continue to be serviced in a timely fashion.

Separately, Moody's also announced an A2 rating for Korea, BAA1 for Malaysia and A1 for Portugal.

Coupon differential puts Canadian deals in vogue

BY HAIG SIMONIAN

CANADIAN DOLLAR issues were in vogue in the Eurobond primary market yesterday as lead managers capitalised on the currency's steady parity against the US dollar. This has drawn investors to the coupon differential between Canadian and US dollar paper.

Caisse Nationale des Télécommunications (CNT), the French telecommunications entity, launched a C$100m 9½ per cent 1994 bond, led by Banque Nationale de Paris, and priced at 101½. The issue is guaranteed by the Republic of France.

This is the first Canadian dollar deal for a French government agency this year. BNP reflected the borrower's credit quality in what was viewed as a correctly priced deal. The paper was selling well at around its fees by mid-afternoon.

CNT is converting its funds into fixed-rate French francs at a considerably more attractive rate than it could achieve via a seven-year Euro-French franc deal.

The seven-year market in both US and Canadian dollars remains rather fragile but BNP made a strong case for the CNT bond, which was launched at 62 basis points over equivalent Canadian Treasury bonds. Moreover, the yield curve between five and seven-year maturities in Canadian dollars is rather flat, with a differential of around five to seven basis points against a margin of about 30 basis points between similar US dollar maturities.

Dominion Securities issued a C$100m 9½ per cent 1991 deal for General Motors of Canada, priced at 101½. Though quite tightly priced, dealers expected a good reception for the Euromarket debut of GM's Canadian operation, which is Canada's largest company. The paper is linked with an interest rate swap.

Household Financial Corporation issued a C$75m 10 per cent 1992 bond, led by Orion Royal Bank and priced at 101½. The borrower is the Canadian subsidiary of Household Finance Corporation, the US financial services group, which is guaranteeing the issue.

In the straight Eurodollar market, Nippon Credit International led a $100m 7¾ per cent 1991 bullet issue for Nippon Credit Bank Curacao Finance, guaranteed by Nippon Credit Bank.

Priced at 101¼, the paper sold very quickly, with investor demand coming largely, but not exclusively, from the Far East. The issue was trading well within its 1½ per cent fees by late afternoon.

The secondary Eurodollar market saw straight bonds up by ⅛ to ¼ points for 10-year maturities and around ⅛ point firmer to two to five-year paper. There was some bargain hunting among floating-rate notes, with selective issues between 10 and 15 basis points higher in a market 3 to 4 basis points firmer across the board.

Rautaruukki, the Finnish government-owned steel manufacturer, continued the revival of the Ecu primary sector with a Ecu 50m 7¼ per cent 1993 bond, led by Nippon European Bank, and priced at 101½. The issue, which is being swapped into floating-rate dollars, was trading just within its fees by late afternoon.

Vestfjorden (VEAS), the Norwegian waterworks, issued a SFr 140m 12-year 5 per cent par priced bond, led by Soditic. The issue, guaranteed by the City of Oslo, has a SFr 75m tranche payable next January and the balance in May.

The coupon on the SFr 50 issue for Nippon Denko Company was fixed at 2⅛ per cent. Toyo Radiator's SFr 45m issue was fixed at 2⅛ per cent.

Secondary Swiss market prices were unchanged to a shade weaker yesterday in decreasing volume. West German secondary issues were about ⅛ point firmer in fairly thin trading. Nixdorf's equity linked issue fell 2 points to around 143 bid.

The coupon on the $70m equity warrant bond for Toshiba Ceramics was fixed at 3⅛ per cent. The foreign exchange rate was Y163.75 and the conversion premium was 2.56 per cent.

Citicorp swaps specialist to join County NatWest

BY ALEXANDER NICOLL

MR MARK D. Blundell, a swaps marketing specialist, is to become the latest in a series of senior executives to leave Citicorp Investment Bank in London. He will join County NatWest Capital Markets in January.

Mr Blundell, an American, aged 36, said yesterday that he was leaving Citicorp mainly because he wanted to ensure that he would remain in the UK. But his move will undoubtedly be seen as a further sign of uncertain morale at Citicorp following recent departures.

These have included Mr John Botts, chairman of Citicorp Investment Bank, Mr Kent Price, country corporate officer, several other top executives and a number of less senior ones.

At County, Mr Blundell will be a director with responsibility for structuring and marketing swaps and other interest rate risk management instruments, as part of County's building of a swaps team.

County also said it had recruited Ms Barbara Yu as a director in charge of marketing in France and Belgium. She has been with Shearson Lehman Brothers in France.

Farm finance corporation launches £90m loan facility

BY OUR EUROMARKETS CORRESPONDENT

AGRICULTURAL Mortgage Corporation, a UK farm finance concern owned by the Bank of England and main clearing banks, has launched a £90m, eight-year loan facility in the international capital markets.

Led by Barclays de Zoete Wedd, the facility carries an annual underwriting fee of 5 basis points during the first three years of its life, rising to 7.5 points thereafter.

It will permit the borrower to raise funds in the form of short-term cash advances carrying a maximum margin over sterling money market rates of 10 basis points excluding the cost of mandatory liquid assets required under Bank of England regulations on sterling lending.

Though 27.4 per cent owned by the Bank of England, Agricultural Mortgage Corporation is not eligible to tap the sterling commercial paper market because it does not have a stock exchange listing.

● Carrefour, the French supermarket group, has appointed Credit Suisse First Boston and Morgan Guaranty as dealers on a Eurocommercial paper programme of up to $150m.

Merrill UK seeks Tokyo branch

BY YOKO SHIBATA IN TOKYO

MERRILL LYNCH of the US hopes to open a branch in Tokyo of its London banking subsidiary in order to engage in foreign exchange business, making it the first foreign securities company openly seeking to break ground in Japanese banking.

Although Japan has allowed some integrated foreign banks to undertake securities dealing through subsidiaries, no foreign securities house has so far been permitted to begin banking business either directly or through a subsidiary.

Mr Wililam Schrever, Merrill's chairman, said in Tokyo yesterday that Leutsche Bank, Nomura Securities and Citicorp were regarded as its chief rivals.

Deutsche Bank pioneered a new route by obtaining a Tokyo brokerage licence for a Hong Kong subsidiary in which it had hived off a 50 per cent holding to friendly partners. Citicorp has been engaged in broking business through Vickers da Costa in Tokyo since 1984, while in the other direction Nomura has been granted a licence to establish a banking subsidiary *in London.*

Merrill Lynch stock closed at Y6,450 on first-day volume of 97,300 shares.

Zurich adds to Ciba-Geigy warrants issue

By John Wicks in Zurich

BZ BANK ZURICH has added 50,000 further covered warrants to the 100,000 already placed in connection with future purchases of Ciba-Geigy registered shares. This follows the announcement at the weekend of a private placement by the City of Zurich, every SFr5,000 of whose bonds bears two Ciba-Geigy warrants.

The bank, which earlier this month pioneered covered warrants in Switzerland by placing the first 100,000 of the Ciba-Geigy warrants, has secured the necessary 50,000 additional registered shares of the Basle chemical company.

Dollfus-Mieg raises FFr 360m

By Our Euromarkets Staff

DOLLFUS-MIEG, the French textile concern, has raised FFr360m through a share issue of which more than two-thirds was placed internationally, mostly in the London market.

Banque Nationale de Paris, Enskilda Securities and Smith New Court led the FFr 250m international tranche, with Credit Lyonnais handling the remainder domestically. The 675,000 new shares, priced at FFr 535, at a 4 per cent discount, will expand the company's capital by 17 per cent.

Europaper for Coleman

Coleman, the UK food and household products group, has appointed Chase Investment Bank and CIBC to act as dealers in a $75m Eurocommercial paper programme, Reuter reports.

The programme will allow Coleman to issue fully discounted bearer notes with maturities of seven to 183 days in denominations of $500,000.

Chase Manhattan Bank will be issuing and paying agent.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.38
Amoco Co. 9⅞ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	9.38
Australia Com. 11 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.46
Australia Com. 11¼ 00	100	[illegible]	[illegible]	[illegible]	[illegible]	9.25
BP Capital 9½ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	8.20
British Telecom 7⅞ 96	250	[illegible]	[illegible]	[illegible]	+1	8.09
Campbell Soup 10½ 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.42
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	7.95
Canadian Pac. 10⅛ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.74
CCCE 7⅞ 91	113	[illegible]	[illegible]	[illegible]	[illegible]	7.34
Citicorp 8⅛ 93	200	[illegible]	[illegible]	0	[illegible]	8.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	[illegible]	[illegible]	[illegible]	[illegible]	13.64
Bremer Ldsbk. 12⅞ 91 A$	30	[illegible]	[illegible]	0	[illegible]	13.22
Fiat Finance 14½ 89 A$	50	[illegible]	[illegible]	0	[illegible]	13.85
GMAC 12⅞ 89 A$	40	[illegible]	[illegible]	0	[illegible]	13.40
Landsbk. Rheln. 13 89 A$	30	[illegible]	[illegible]	0	[illegible]	14.06
Canadian Pac. 10⅛ 90 C$	75	[illegible]	[illegible]	0	[illegible]	9.20
Chrysler Corpn. 10 91 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	9.26
Genstar Fin. 11⅛ 95 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	10.51
GMAC 9¾ 92 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	8.90
Royal Trustco 10⅛ 90 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	9.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Orient Leasing's pre-tax profits increase by 90%

BY YOKO SHIBATA IN TOKYO

ORIENT LEASING, Japan's largest leasing company, showed a 90 per cent jump in pre-tax profits to a record Y15.75bn ($96.8m) in the year to September, bolstered by strong private capital investment in domestic service industries and a decline in interest rates.

Revenues climbed 20 per cent to Y399bn and net profits were 12 per cent higher at Y3.39bn. On a per-share basis the net earnings rise was more muted—from Y62.23 to Y63.37—following the early redemption of $70m in convertible bonds. The annual dividend per share was increased by Y1 to Y13.

New receivables totalled Y1,023.8bn, an increase of 22 per cent over the previous year. Leasing contracts rose 14 per cent to account for 35 per cent of the total.

Leasing contracts by sector showed office automation equipment up 17 per cent and products for commercial and service industries ahead by 47 per cent. Instalment sales gained 72 per cent to account for 24 per cent of the total, with domestic contracts up by 188 per cent.

Growth also reflected a few big aircraft contracts with domestic and overseas airlines. A government scheme for the past two years has provided low interest rate financing for the emergency import of aircraft by domestic airlines which included imports by leasing companies. However, cross-border aircraft leasing declined by 25 per cent during the year.

The group's loans business rose 10 per cent to account for 41 per cent of the total. Despite keen competition with banks, its housing loans rose 6 per cent.

During the year, Orient Leasing established two new leasing companies in Japan and joint ventures in Australia, the UK, Pakistan and China. In Britain, it set up Lombard Orient Leasing in conjunction with Lombard North Central, the finance company unit of National Westminster Bank.

For the current year, Orient expects intense competition in leasing, which it hopes to combat by the expansion of new business such as instalment credit and loan operations.

Overall, a 15 per cent increase in revenue and a 9 per cent gain in net profits are expected, although at the pre-tax stage earnings are forecast to show a 24 per cent drop.

First-half reverse for Kyocera

BY OUR TOKYO STAFF

KYOCERA, the dominant Japanese maker of integrated circuit ceramics, yesterday reported a 38.9 per cent fall in pre-tax profits to Y15.41bn ($94.7m) in the first half to September 1986.

Net profits fell 36.7 per cent to Y7.04bn. However, Kyocera is to maintain its interim dividend at Y22 a share.

Half year sales dipped 6.9 per cent to Y119.38bn, with exports affected by the yen's appreciation. Stiffer competition also resulted in a drop in sales of optical precision equipment, except for 8mm format video cassette recorders. However, its sales of non-chip electronics parts fared well, supported by solid demand for thermal printer heads and amorphous silicon drums.

The company has chosen not to hedge overseas contracts in the forward exchange market, and the rise in the yen thus trimmed Y17.4bn from its sales.

For the second half-year, Kyocera is counting on a sales increase in electronic and optical equipment as semiconductor components and electronic parts are unlikely to display much growth.

Full-year sales are projected 0.2 per cent higher at Y246.12bn, with pre-tax profits expected to fall by 11.9 per cent to Y34.6bn. Net profits are forecast at Y15.44bn, down 20.6 per cent. However, the company intends to keep its annual dividend at Y44 a share.

Australian ICI gains 19% before write-down

By Robert Kennedy in Sydney

ICI AUSTRALIA yesterday reported a 19 per cent net profit increase to A$69.28m (US$44.5m) in the year to September. The chemicals and plastics group, which is 62.4 per cent owned by ICI of the UK, has forecast further sales and earnings growth in the current year.

The profits came on sales 12.6 per cent ahead at A$2.05bn, and were struck before extraordinary losses—reflecting write-downs at an ethylene plant—which left the attributable result 48 per cent lower at A$32.63m.

The annual dividend has been held at 16 cents a share with a final payout of 9 cents.

Mr Chris Hampson, the managing director, took the opportunity to criticise the Australian Government's attitude to the local chemicals industry.

He said the Labor Government's decision to cut tariffs had severely affected the company's ability to compete with its international rivals.

● Mr Alan Bond, one of Australia's best-known entrepreneurs, added his voice yesterday by calling on the Government to slash taxes and legislate against labour disputes in order to promote investment and enhance competitiveness, writes Chris Sherwell in Perth.

Without an appreciation of Australia's serious predicament from Government and unions he would turn away from the promise still held by the country, he told an international conference on trade and investment in the Asia-Pacific region. This followed controversial remarks last month by Mr John Elliott, head of Elders IXL, who suggested it was currently not worth investing in Australia.

Sasebo falls into the red at halfway stage

By Our Tokyo Staff

SASEBO Heavy Industries, one of the members of the troubled Kurushima Dockyard group, fell into pre-tax loss of Y1.35bn ($8.3m) for the first half to September, compared with profits of Y840m in the 1985 period.

It failed to receive a single new shipbuilding order, and had contracts cancelled on two vessels for the bankrupt Sanko Steamship.

The net loss was Y1.8bn, against profits of Y440m.

With sluggish shipbuilding and ship repair work, sales plummeted by 47.1 per cent to Y22.18bn. Sales of securities brought gains amounting to Y350m.

For the second half, Sasebo expects a return to the black because of the delivery of a 240,000-tonne very large crude carrier (VLCC) as well as smaller ore carriers.

Full-year sales are projected at Y64bn, down 10 per cent.

Fedfood cuts interim but sees improved profitability

BY JIM JONES IN JOHANNESBURG

FEDFOOD, the South African food group, suffered materially from competition and low prices in the six months to September, and has cut its interim dividend. But it expects trading conditions and profitability to improve in the second half of its current year.

Mr Josias Du Toit, the chief executive, says that strong competition and low prices in the frozen food sector had a materially adverse effect on the half-year's results.

First-half turnover increased to R511m ($229.2m) from R448m, and pre-tax profits rose to R16m from R15.5m.

Mr Du Toit says that an upswing in economic activity should help Fedfood and that profitability is likely to improve in the current half-year. However, the first half's earnings fell slightly to 34 cents a share from 35 cents and the interim dividend has been cut to 10 cents from 12 cents. Last year a total dividend of 32 cents was paid from earnings of 93 cents.

Fedfood is a subsidiary of Federale Volksbeleggings which, in turn, is a subsidiary of the Sanlam insurance group.

● CNA-Gallo, South Africa's largest distributor of books, records and stationery, continued to be affected by the country's recession during the first half of its current year. Nevertheless, turnover increased, last year's profit decline has been reversed and the directors are cautiously optimistic on the second-half.

Turnover rose to R148.6m in the six months to Setpember from R134.3m and the interim pre-tax profit more than doubled to R3.5m from R1.7m.

Interim earnings increased to 9.8 cents a share from 2.8 cents, and interim dividends have been resumed with declaration of a 4 cent payout. Last year's earnings totalled 26.2 cents and a single final dividend of 12 cents was declared.

Bombay SE expected to reopen today

By R. C. Murthy in Bombay

AGREEMENT has been reached between Indian tax authorities and representatives of the Bombay Stock Exchange, India's largest which should enable dealings to resume today following the seizure of share certificates during raids on 21 stockbrokers last month.

An intervention by Mr V. P. Singh, the Finance Minister, has secured the release of impounded scrip, for which the tax officials have agreed to accept bank guarantees and pledges of property as security covering about half the paper involved.

Steady growth by Japan's top drug groups

BY OUR TOKYO STAFF

FOUR OF Japan's five leading pharmaceutical companies achieved double digit growth in pre-tax profits for the first half-year to September, benefiting from newly introduced ethical drugs and lower costs for imported materials where the sector was helped by the yen's appreciation.

This was despite cuts by the Ministry of Health and Welfare in official drug prices by 5.1 per cent in April this year, bringing price reductions in the past five years to as much as 50 per cent.

Takeda Chemical, the largest, was also the only company to report a flat pre-tax result affected by increased research and development and advertisement expenditures. Takeda's ethical drugs fared well and offset sluggish sales of foods and chemical products.

Daiichi Seiyaku's earnings shot up 77 per cent due largely to strong performance of Tarivid, a broad-spectrum anti-bacterial agent which was launched September last year. Sankyo also attributed its strong earnings performance to sales growth of new products for hypertension and cancer. Eizai also did well with newly introduced drugs for bronchial asthma.

Shionogi showed little benefit from new products but enjoyed a Y4bn favourable effect from the yen's appreciation as it depends heavily on imported raw materials. Fujisawa drew strength from a streamliinng of its business.

For the second half-year to March 1987, all six expect improved profits and sales. The extent of these will, however, depend largely on new drugs developed in-house.

PHARMACEUTICAL RESULTS

Parent company results, half-year to September 1986

	Sales Ybn	Pre-tax profits Ybn	Net profits Ybn
Takeda	242 (+ 0.5%)	24.72 (+ 0.5%)	10.92 (+ 9%)
Sankyo	138 (+10 %)	13.44 (+13 %)	4.89 (+ 13%)
Shionogi	100 (+ 1 %)	14.51 (+15 %)	5.26 (+ 18%)
Daiichi	64 (+23 %)	13.6 (+77 %)	5.32 (+113%)
Fujisawa	87 (+ 0.5%)	11.77 (+22 %)	4.39 (+ 6%)
Eizai	74 (+ 6 %)	10.31 (+28 %)	3.27 (+ 17%)

UK COMPANY NEWS

REORGANISATION BENEFITS FLOW THROUGH

Metal Box improves to £38.6m

BY TONY JACKSON

Metal Box came up to the market's expectations yesterday with pre-tax profits for the half year to September of £38.6m, a jump of 24 per cent.

Net profits were the highest for any six month period in the group's history.

The suspension of pension fund contributions helped profits by £8m. This was partly offset by £1.4m of reorganisation and redundancy costs charged to operating profits. In previous years these costs had been charged below the line as extraordinary items.

The group said it could not foresee any major provisions for redundancy and rationalisation in the rest of the year.

Mr Brian Smith, group chairman, said: "The past twelve months have seen very real change in the company. Although tightening up the business never ceases, we believe the major part of our rationalisation is behind us, and that we are now building on a very secure base."

Group sales were down by 1 per cent to £565.6m. Currency weakness and the sale of the US can operation in March combined to reduce sterling sales by £24m, the group said. The can operation had made profits of US$600,00 in the first half of the previous year.

Operating profits were up by 11 per cent to £44m, but would have been 19 per cent up on constant exchange rates, said Mr Murray Stuart, group finance director. Pre-tax profits would have been 33 per cent ahead on the same basis.

The tax charge was 24 per cent, against 25 per cent in the previous year. Mr Stuart said the group's effective UK tax rate was only 6 per cent, a level which he expected to be maintained for another three years.

Mr Smith emphasised that the group's main hope for growth was in its new packaging products. "Our new ventures are perhaps the most satisfying aspect of our recent development," he said.

The group pointed to the 50/50 joint venture with the US aluminium group Alcoa, now named the Genesis project. This involves the building of up to nine US plants making advanced food packaging over the next four years, at a joint cost of $200m (£141m). The first plant, costing $16m, should be ready by next autumn.

Mr Stuart said the venture was expected to generate annual sales at least equal to the $200m investment cost. On a projected margin of between 12 per cent and 15 per cent, this would give Metal Box annual profits of between $12m and $15m after a three-year start-up period.

However, the group said the joint venture to make PET cans in the US had run into environmental opposition. There was likely to be a substantial hold-up, afffecting the development of the project around the world. Even so, the group's investment of $4m in the venture made it much less important than the Genesis project.

Earnings per share for the six months were up 35 per cent to 10.1p, and the interim dividend was raised by 11 per cent to 1.7p net. The shares fell 2p to 175p.

SIX MONTHS' TRADING PROIT

	1986	1985
UK	£m	£m
Food and drink packaging	13.0	13.3
General packaging	7.6	5.1
Engineering	2.0	2.7
US	6.0	6.5
Other countries	6.0	5.9
Central heating—UK	3.8	2.8
—overseas	1.1	0.6
Miscellaneous income	4.5	1.7
Related companies	2.9	2.8
Total	46.9	41.4

Brierley builds up stake in OT & T

IEP (UK), an investment company run by Mr Ron Brierley, has increased its stake in Ocean Transport & Trading to just under 30 per cent by purchasing a further 7.24m shares over the last two days.

At the end of August, IEP bid 225p a share for OT&T valuing it at £238m. In mid-October the offer was increased and made final at 260p which values OT&T at £258m. The offer closes on Friday and acceptances so far amount to only 0.2 per cent of Ocean's shares.

Including the cost of the 9.8 per cent of OT&T that IEP owned before the bid was made, Mr Brierley has spent some £82m, the equivalent of 238p a share, in building up the stake in the freight forwarding, fuel distribution, shipping, storage and waste management group.

Last week OT&T wrote to shareholders asking them to reject the IEP offer as inadequate and said that Mr Brierley was attempting to acquire the group and its assets cheaply.

OT&T closed last night unchanged at 251p.

LIG pledges funds for AIDS research as profits rise 16%

BY CLAY HARRIS

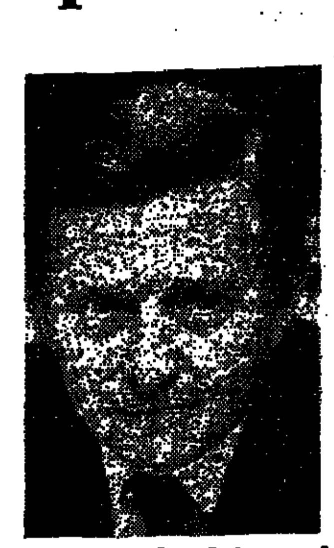
London International Group (LIG) yesterday announced a 16 per cent increase in pre-tax profits to £12.2m for the six months to September 30 and said that it was allocating substantial additional resources to research and education about protection against acquired immune deficiency syndrome (Aids).

The consumer products and services group is the world leader in the manufacture of condoms, the use of which is being promoted by governments and health agencies to prevent the transmission of the virus which is believed to cause the deadly disease.

Despite widespread publicity, sales of condoms by Schmid Laboratories, LIG's North American subsidiary, had only recently begun to show a modest increase. In the UK, where LIG has more than 90 per cent of the condom market, there had been no significant rise in sales, the company said.

LIG would I ncrease its annual research spending by an amount "into six figures," Mr Alan Woltz, chairman and chief executive, said yesterday. It was co-operating with the Government on the "rapid provision of information."

Its research will include



Mr Alan Woltz, chairman of London International Group

clinical tests of possible anti-viral agents to be added to spermicides. It is test marketing in the Netherlands a thicker condom, developed at the request of the country's AIDS co-ordination committee, primarily for use by homosexuals.

LIG lifted interim pre-tax profits to £12.2m (£10.5m) on turnover that was 15 per cent ahead to £128.9m (£112.2m).

The company's full - year results will show an extraordinary gain of about £8m, before tax and expenses, on shares in Wedgwood bought before LIG launched an abortive bid for the fine china group. LIG committed the shares to Waterford Glass's eventual agreed takeover of Wedgwood after its own offer was referred to the Monopolies and Mergers Commission.

Profits fell at Royal Worcester Spode, the fine china division. Increased sales in North America, as a result of more competitive pricing, failed to offset the UK downturn which followed the fall in US tourism.

Nevertheless, home products and services increased profits to £6.9m (£6.4m) on turnover of £66.5m (£57.2m). The Colour-Care photographic business made a strong contribution, which would increase in the second half with the integration of further acquisitions.

Tighter cost controls helped to boost health and personal products profits by 21 per cent to £6.3m (£5.2m) on sales of £62.4m (£55.0m).

The company is recommending an interim dividend of 1.75p (1.50p), an increase matching the 17 per cent rise in earnings per share to 6.16p (5.25p).

See Lex

Derek Crouch shares jump on bid talks

An approach that could lead to a full-scale bid sent the shares of Derek Crouch up 25p at one time yesterday. At the close they had eased to 193p for a rise of 18p.

The company is based in Peterborough and is engaged in civil engineering and open cast mining. The approach confirms recent market talk of a bid and at yesterday's price the company is capitalised at £24m.

In the last couple of years the company's profit has been going ahead strongly, rising from £886,000 in 1983 to £3.12m in 1985. In the first half of 1986 it was £1.38m (£1.31m).

The company said that a further announcement was expected as soon as possible, and meantime advised shareholders to take no action.

BENNETT & FOUNTAIN: Acceptances have been received for its offer for Godwin Electrical in respect of 9.8m shares or 93.9 per cent of the equity and the offer has been declared unconditional. Bennett intends to acquire, compulsorily, any outstanding shares.

Staveley in £7m US expansion

BY CLARE PEARSON

Staveley Industries yesterday announced plans to extend its presence in the US weighing components industry by taking a 51 per cent stake in Minnesota-based Weigh-Tronix, for an initial $10.4m (£7.3m), which it will merge with its existing US electronic weighing subsidiary, NCI.

Staveley has arranged a vendor placing of 1.6m new shares (9.7 per cent of its existing issued share capital), at 550p per share to finance part of the deal, and the balance will be paid out of its own resources.

Staveley will make an initial payment to Weigh-Tronix of $10.4m and additionally a five-year loan of $5m which will be interest-free provided repayment conditions are met.

Combined sales for the first nine months of Weigh-Tronix and NCI are $42m and combined earnings $1.9m after tax.

Staveley is advised by Hill Samuel, and the vendor placing is through Cazenove.

Staveley's strategy is to build up its interest outside its British Salt division, which contributed £7m to the £13.5m trading profit in the last financial year, as a Monopolies Commission report has limited future salt price rises.

Charles Baynes in talks

Charles Baynes, the linen rental and property development group, is negotiating an injection of assets into the company in return for a 29.9 per cent stake in its enlarged equity.

The new shares would be issued at about the current market price, the company said yesterday. Its shares rose 9p to 31p.

Baynes has been active in buying and selling businesses over the past year paying £300,000 for Stoneguard, a stone cleaning company, last November and selling three property services companies for £300,000 in February 1986.

SUTER, through its subsidiary Clearpas, has acquired from the receiver the business, including fixed assets, stocks and goodwill, of the Magnatex group of companies which manufactures parts for the motor industry, principally injection moulded plastic components.

Approach to Ford & Weston

Bowmer and Kirkland, the unlisted construction group, has made a bid approach to Ford and Weston, the building contractor and shopfitter which came to the USM last June.

Bowmer said it wanted to negotiate a recommended offer for Ford, which made a pre-tax profit of £254,000 on turnover of £18.49m in the 26 weeks ended March.

Ford's shares were unchanged at 80p yesterday, valuing the company at £7.07m.

EPIC purchase

Estates Property Investment Company (EPIC) is to acquire a portfolio of warehousing units for £6.58m. The current annual income receivable from the properties, all of which are fully let, is £777,765 per annum, on the basis of which the purchase price represents a yield of 11.8 per cent (before acquisition costs).

The acquisition will be financed by the issue of 4.16m new ordinary 25p shares in EPIC. These shares are to be placed on behalf of the vendors with institutional and other investors at 158p per share.

British Dredging

British Dredging has sold for £2.08m its 50 per cent interest in Bristol Sand and Gravel Co., together with a freehold wharf and crane at Bristol, which were rented from BD by Bristol Sand.

The purchaser is Arc Ltd, which has also acquired Holms Sand and Gravel Co. (1985)—owner of the remaining 50 per cent of Bristol Sand.

Backing for Skillion

TR Property Investment Trust has acquired a 20 per cent equity interest in Skillion, and will provide further finance by becoming an equity participant in individual projects.

The major part of Skillion's equity is retained by Mr Ric Hawley, chairman and managing director. Skillion will bypass the USM and go for a full listing at the earliest opportunity.

Skillion has specialised in setting up a chain of business centres, together with residential developments for sale.

Hammerson Property

Traders Associates, part owned by the Canadian subsidiary of the Hammerson Property Investment and Development Corporation, has sold industrial and commercial land in Mississauga for $44m (£30m). The sale is in accordance with Hammerson's stated long-term aim to concentrate on investment and development properties.

WCRS surges to £3.5m and makes further acquisition

WCRS SURGES TO £3.5M AND MAKES FURTHER avcequisition WCRS Group, the UK's second largest advertising and communications concern, yesterday revealed that its profits for the first half of the 1986-87 year had surged to £3.47m at the pre-tax level.

That was an improvement of 533 per cent over last time's £547,000 and some £854,000 ahead of the figures returned for the whole of the previous year.

It was also announced that conditional agreement had been reached to acquire Siebert Head, a leading package design consultancy, as part of a positive drive to set up a range of top quality design services within the group.

Mr Robin Wight, the chairman, said the half-year improvement reflected a continuance of rapid organic growth and the impact of UK and US acquisitions in recent months.

He fully expected each of the operating companies to continue their strong organic growth during the second six months and at the same time was hopeful that WCRS would continue its expansion internationally and into further marketing service areas.

The interim figures (to October 31 1986) included only four months' contribution from HBM Creamer and FCO and only one month's contribution from Della Femina Travisano & Partners and Saunders Design.

Group turnover for the opening half-year jumped from £25.88m to £143.47m. Tax accounted for £1.39m (£0.23m) and left net profits at £2.08m, up from £0.33m last time.

Earnings worked through at 14.64p (3.55p) per 10p share and the interim dividend is being stepped up by 0.6p to 1.85p net on the capital enlarged by last June's rights issue.

In the US, which now accounts for the majority of group profits, the directors have decided to run the Della Femina and HBM Creamer advertising agencies as separate and competing groups. Offices in New York, however, are being merged under the Della Femina Travisano name.

Mr Wight said that once the merger had been completed, the group would have two strong, high-profile and creative agencies, each billing close to $300m (£211m).

Consideration for the acquisition of Siebert Head will be £1.26m, half of which will be satisfied in cash and half in WCRS ordinary shares and a debenture to secure further consideration of up to £2.1m payable over the period to end-April 1989 depending on profits.

At March 31, 1986 Siebert Head had net assets of £85,000 and profits for the year to that date were £213,000 before pension fund contributions as extraordinary items.

WCRS, formerly Wight Collins Rutherford Scott (Holdings), was formed in 1979 and was the first British agency to obtain a USM quote. It moved to a full listing in September 1984.

It made its first major acquisition (Biss Lancaster) in 1985 and has since expanded rapidly in the UK and the US.

The group's shares closed at 240p yesterday, a rise of 7p on the day. They were 239p earlier this year.

Two acquisitions by Merchants' Warehousing

Merchants' Warehousing, the Dublin-based grain discharge and storage group, yesterday announced plans to acquire two unquoted companies in a move which would substantially enlarge its activities.

The company's shares were suspended at its own request at 65p yesterday to value it at I£3.9m (£3.7m).

It has approached its major shareholders to seek their backing for the deal. They include R & H Hall with 32.77 per cent, N Barnett Group with 24.44 per cent and WP & RO Holdings with 10.37 per cent.

Lee Ming Tee lifts Aitken Hume stake

Lee Ming Tee Group, an investment and financial services company controlled by a Malaysian businessman of the same name, has increased its stake in Aitken Hume, the British financial services group from 10.94 to 12.15 per cent.

UK COMPANY NEWS

LCAH prefers MAI bid but supports rival

BY CLAY HARRIS

London & Continental Advertising Holdings, the outdoor poster group, yesterday welcomed in principle the £28.3m takeover bid from MAI but nevertheless urged its shareholders to approve a rival rescue plan on Friday.

LCAH made clear that it preferred the 120p per share cash bid from MAI, the financial services group, which also operates in the poster business as Mills & Allen, to a rights issue at 110p which would raise £7.4m and give a 29.9 per cent stake and management control to Piccadilly House, an investment group

It could not risk, however, a rejection of the Piccadilly deal, which it has already recommended, only to find the MAI bid blocked by a reference to the Monopolies and Mergers Commission.

"We don't want to fall between two stools," Kleinwort Benson, LCAH's advisers, said

The Office of Fair Trading, meanwhile, confirmed that it had promised to give a recommendation on the proposed merger within two weeks if it received an official submission from MAI.

MAI and LCAH would have a combined 44 per cent share of the roadside poster market, although MAI has already reached conditional agreement to reduce this to close to 30 per cent by selling some LCAH sites to Arthur Maiden, another advertising group. Further disposals are under consideration.

MAI said yesterday that it had raised its holding in LCAH to 24.6 per cent and again urged the defeat of the Piccadilly deal. Although MAI's offer has left open the possibility of proceeding even if the rival plan goes through, Mr Clive Hollick, managing director, said yesterday: "Our mind at the moment is focussed on getting it voted down."

MAI has offered to underwrite a rights issue at 120p to give LCAH, which lost £1.36m before tax in the first half of this year, an immediate £8.1m cash injection. LCAH warned yesterday, however, that the rights issue alone "*could* be a merger situation qualifying for investigation."

LCAH shares fell 2p to 120p yesterday, equal to MAI's cash offer. MAI added 1p to 425p, to value its 27-for-100 share alternative at 114.7p. It is advised by Hambros, Piccadilly House by Barclays de Zoete Wedd.

Tomkins sells Pegler subsidiary for £5.3m

By David Goodhart

F. H. Tomkins has sold for £5.3m a subsidiary of Pegler-Hattersley, the valve company it acquired last June for £190m. The company, Paragon Plastics, has been sold to Polypipe, the plastic plumbing systems concern

Tomkins, which has no other plastic interests, said it had no plans for further disposals of Pegler businesses. Since the takeover it has closed one other Pegler company, J. J. Braimbridge, a scrap metal merchant, and removed more than 30 senior managers.

In the year ended March 1986 Paragon achieved pre-tax profits of £47,000 on a turnover of £7.3m.

Polypipe is paying for the company through the issue of 4.5m new shares of which 3.8m are being placed by Panmure Gordon at 157.5p per share. Polypipe also announced the acquisition of Procell—another plastics company based in Kent—for for £1.6m.

Polypipe, which turned in pre-tax profits of £2.15m for the year to June 30 1986, said that its first acquisitions would broaden its customer base and enlarge its product range.

Debron spends £66m cash in US on first acquisition

BY CLARE PEARSON

Debron Investments is acquiring for $95m (£66m) in cash the US office-fabric manufacturer, Guildford. It is Debron's first acquisition since the John Crowther Group bought its main UK carpets business in September 1985 and its other carpets interests were hived off. Debron was formerly known as Carpets International.

Debron believes that Guilford's business will dovetail into that of Interface Flooring Systems, its only remaining significant investment and its principle shareholder.

At the time of the disposal of Carpets International, Mr Ray Anderson, Debron's chairman and chairman of Interface, said the proceeds would be used towards acquiring businesses in the furnishing industries

Guilford generated turnover of $74m and pre-tax profits of $13m in the year to March 1986.

In view of Guilford's size relative to Debron, Debron's shares were suspended yesterday up 2p at 50p, giving it a market capitalisation of £20m, pending shareholder approval and its offer becoming unconditional.

Debron will be financing the deal out of existing cash balances, amounting to £13.4m at the end of October, by loans from its US bankers, and loans from Interface and Interface Overseas.

Additionally, £1.4m is being provided by Interface Overseas' recent exercise of options over 7m "A" shares of Debron.

Debron intends after the acquisition is completed to raise additional equity finance amounting to about £17m

Norton bid success 'would cost £7.6m'

BY DAVID GOODHART

Norton Opax would have to bear costs of £7.6m if it succeeds in its bid for McCorquodale which represents 60 per cent of shareholders funds according to the offer document of the rival bid from the management buy-out team.

The buy-out team states that Norton's gearing is already 79 per cent and that the value of its shares would be vulnerable in the event of a McCorquodale take-over.

It adds that a merger between Norton and McCorquodale would cause serious damage to McCorquodale's security and legal printing

The document also points to the commitment of McCorquodale's senior staff to the buy-out. "It is extremely unlikely that Norton Opax can better motivate McCorquodale's management, which is responsible for the present success of the group, since 30 of the senior managers of the management have personally backe the rival offer," it states.

It is also revealed, for the first time, that Mr Michael Stoddard, chairman of Electra Investment Trust, one of the main backers of the management offer, would become non-executive chairman of McCorquodale if the buy-out was successful.

The Norton bid reaches its final close on Friday. If acceptances of that offer—of 303p per share in cash and 310p in paper—do not go over 50 per cent then it is clear that the buy-out—offering 315p a share cash—will succeed. An agreement between Mr Robert Maxwell who holds 22 per cent of McCorquodale, and Norton Opax has avoided the possibility of stalemate in the event of Norton not achieving the 50 per cent.

Ramco Oil Services faces £0.7m bad debt

THE directors of Ramco Oil Services stated that John Howard Group being put into the hands of the receiver has meant the possibility of a bad debt provision for 1986 of up to £700,000.

Ramco was carrying out substantial contracts for Howard Doris, a subsidiary of John Howard, and directors said that this "unexpected development has been a bitter blow."

Since the receivership was announced in September, Ramco had been committed to resolving the situation and had secured two major contracts with Total Oil Marine and McDermott Scotland.

The directors said the company continues to operate within an extremely difficult environment. However, they believed that it had secured a positive position which would significantly reduce the burden on the company. The trading position had been improving and directors said it would continue to do so for the remainder of 1986.

Berkeley acceptances

Ranger Oil, a Canadian energy group, won acceptances from just 0.1 per cent of the shareholders of Berkeley Exploration to its original £11m takeover bid. Together with shares owned before the bid or acquired since, this took the Ranger stake to 34.3 per cent.

Clyde Petroleum, a UK independent oil group, has since made an agreed offer worth £14m for Berkeley, but Ranger returned with a second offer worth £15.1m last Friday. Berkeley's shares fell 2p to 63p yesterday.

COMPANY NEWS IN BRIEF

ELAN CORPORATION (pharmaceuticals): Turnover I£3.2m (£3m) up from I£2.7m, operating profits I£426,000 (£408,000) for six months to September 1986. Unfunded R and D expenses I£291,000 (£304,000) and investment income I£606,000 (£118,000). Net profits I£692,000 (£212,000). Earnings per share 8p (3p). Directors expect the traditionally strong second half to ensure another year of record earnings.

ACSIS JEWELLERY incurred increased pre-tax losses of £480,000 (£348,000) for the six months to July 31 1986, on turnover of £1.31m (£1.46m). Loss per share was 9.44p

Outwich unveils plans for partial unitisation

Outwich Investment Trust has unveiled plans for the partial unitisation of its £120m portfolio and for the creation of a new investment trust.

The proposals stem from the desire of Baring Brothers, the merchant bank, to cash in its £20m stake in Outwich and use the money in its mainstream business. Barings itself owns 19.6 per cent of the Outwich shares;

Under the proposals, Outwich shareholders are being offered 835p worth of units in a selection of five Baring unit trusts plus one ordinary share in the new Stratton investment trust valued at 95p, for every four Outwich shares held.

The offer is worth 232.5p per Outwich share and is approximately 96.7 per cent of present net asset value.

Interim figures of Outwich show earnings up from £1.18m to £1.34m for the half year to September 30, 1986, representing 2.66p (2.33p) per share. The interim dividend is 1.2p (1.1p).

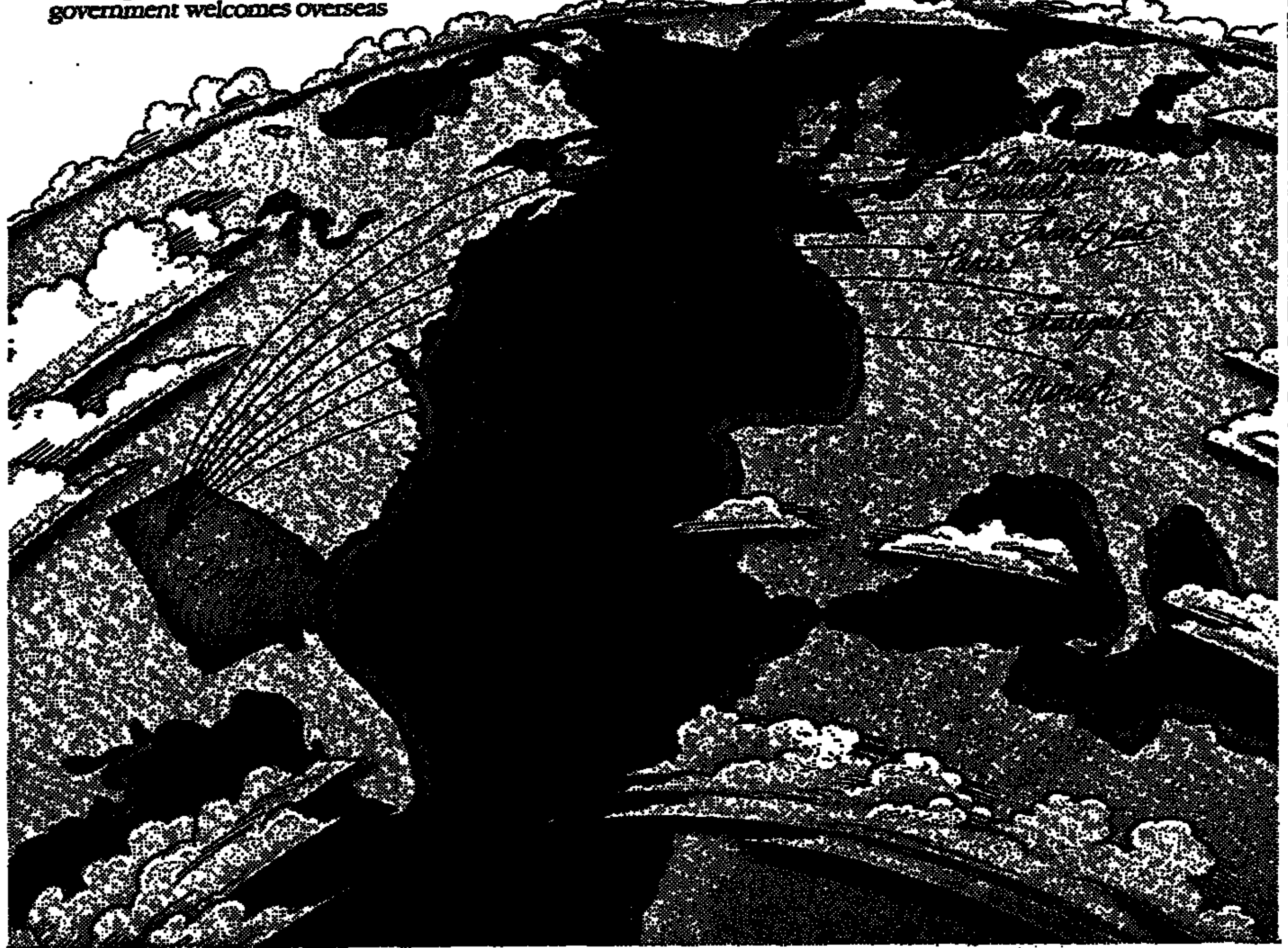
Bestwood raises its holding in Buckley

Bestwood, the investment and property services group, has increased its holding in Buckley's Brewery, the Llanelli-based drinks company, to 21.97 per cent. It also disclosed a 25.31 per cent stake in John Perkins Meats, the USM-listed wholesaler based in Taunton.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Abbeycrest	2nd int	1.5‡‖	—	—	—	—
B. Elliott	int.	1	Feb 27	1	—	3
Metal Box	int.	1.7	—	1.53**	—	4.75**
MK Electric	int.	3.7	Jan. 8	3.4	—	10.8
Moran Tea		12.5	—	7.5	20	18.5¶
Oceana Consid.		1.1	—	1	1.1	1
Scottish Cities		19	—	17	26	23
Thames TV	int.	4	—	—	—	—
WCRS	int.	1.85†	Jan. 7	1.25	—	4.25
Williamson Hldngs.		10	—	20	20	20
Young & Co. Brew.	int.	4	—	3.3	—	7.3

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 18 months. ‖ Makes 2.5p to date in respect of 16 months accounting period. ** Adjusted for share subdivision.



UK COMPANY NEWS

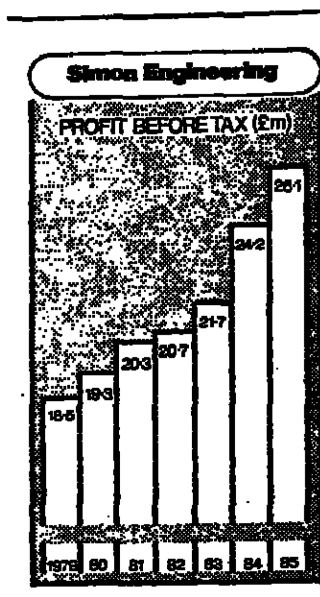
Nick Garnett considers the future of Simon Engineering

Trying to polish a dull image

DEEP INSIDE Simon Engineering, the subject of a hostile £173m "buy-in" bid, directors have scratched their heads for some time over the overall shape of the group's business and the lack of zip to enliven its dull image.

The big difference between them and Mr Philip Ling who leads the City-backed consortium bidding for Simon is that they believe the present management and not Mr Ling are best placed to turn this head scratching into action. Mr Ling says they have had ample time to do it already.

In an interview only days before the unusual form of bid was announced earlier this month Mr Tim Leader, chief executive for just more than a year at the Stockport-based engineering group was candid about some of the group's weaknesses.



'Simon has been very active buying and selling in the past 4 years but this has done almost nothing to simplify its structure'

For one thing Simon, which employs 9,800 worldwide in a range of activities including designing and installing process plant, manufacturing lifting gear and storing chemicals, could be much more efficient. For another it had not handled the US market correctly.

Its total number of separate companies at about 50 was too many for a group turnover of £540m and some of the principal businesses did not have good growth prospects.

This hard-headed view was coupled with some reflections on the group's undoubted strengths, which are built on its highly-respected engineering skills and which have helped it to generate 14 years of uninterrupted profits.

Yet there was no mistaking that Simon has not found it easy to find new furrows big enough to plough profitably.

"Yes it needs a change of direction but I don't know what change yet," said Mr Leader, a former head of what is now Babcock Power who ran Simon's process plant operations before slipping into the chief executive's seat last year. The consortium bid was not what he had in mind.

Simon divides its businesses into three groups. Contracting, which accounted for 49 per cent of sales last year, includes designing, up to *final commissioning*, of process plants mainly for chemicals, food and animal feed as well as a diverse range of specialist plant. This group *includes Drake and Scull* purchased three years ago for £22m which specialises in building services, including heating and ventilating, fire protection and industrial piping.

Manufacturing machinery generated 33 per cent of sales. It includes cereal milling equipment, vegetable oil and corrugated board production machinery, gearboxes and winches, waste water treatment plant, poultry processing, blast-furnace coal injection and bulk handling systems.

The balance of sales are derived from marketing and distributing chemicals, storing bulk liquids and oil services which include the supply of fluids and seismic exploration capabilities.

It is this miasma of different activities that has allowed Simon to build profits steadily if unspectacularly, from £2.6m at the beginning of the 1970s to £26.1m last year and to ride the recession without the catastrophes that befell some other engineering companies.

But it is also this mixture that much City criticism that it is a rather sleepy formless company that has bought into too many unrelated activities and that, rightly or wrongly, exudes an impression of a lack of direction from its 30-strong head office.

Simon has been very active buying and selling in the past four years but this has done almost nothing to simplify its structure. During that period it has closed 10 operations and sold a further seven, a good deal of this in its activities overseas.

But it has also acquired 15 companies, of which only two, Drake and Scull and Geo-Search Corporation in the US cost it more than £5m. Of the rest, 11 cost less than £1m.

Mr Leader, who was due to get a new chairman next year in Mr Roy Roberts, managing director of GKN, says he is well aware of the management difficulties this plethora of relatively small business causes.

One of Simon's solutions was to try to reduce the number of businesses to about 30 within the next 18 months, either by collapsing one company into another, selling or closing them. The group has also become slowly more centralised with more performance monitoring at Stockport.

Simon had seemed confident that the Access business, which produces equipment like self-propelled and trailer-mounted platforms, had good growth prospects as did engineering services. Mr Leader also believes that at some point engineering services and contracting should be merged into an international contracting operation.

But one of the big problems exercising the minds of Simon directors before the unwelcome buy-in proposals was that storage and marketing does not have any significant growth potential and neither did cereal milling.

Any likely acquisitions, which would almost certainly have included a substantial division of another engineering-based company, are now on the backburner while Simon marshalls its defence against Mr Ling. The difficulty Simon was having, though, in choosing candidates has been all too evident.

Mr Leader said two weeks ago that Simon was not really interested in more "smoke-stack" industries, would not buy anything that makes less than £0.5m on sales of £5m to £20m and that overall there would probably be a shift to more contracting rather than manufacturing.

He revealed, however, that Simon has found it very difficult to find potential purchases and that while he wanted the group to go through some spring-cleaning, there would be no selling of its birthright.

"If you look around at public companies, it is very hard to find a company you really want. We have to change direction sensibly with no great speed." But time is perhaps now not on Simon's side.

ISSUE NEWS

Spandex joins the unlisted market

Spandex, which sells computer-aided sign-making equipment, yesterday joined the USM via a placing which values the company at £14.43m.

Spandex was founded *10* years ago by Mr and Mrs Charles Dobson to exploit Mr Dobson's invention of modular slatted sign systems. And it has continued to develop its own sign systems and related materials.

In 1983, however, it became involved in distributing computer-aided sign making equipment when Gerber, a US company, appointed it UK distributor for its "Graphix" Systems. Spandex now draws all the lettering and for alphabets that sell as slot-in circuit boards for Graphix Systems.

Spandex has recently acquired the European rights (except France) to distribute Gerber's System 48, computer-aided equipment based on Graphix technology for cutting such materials as plastics, timber, and metals.

In the year to end February, Graphix System X activities accounted for about 60 per cent of Spandex's turnover of £6m. Profits were £1.06m, a 47 per cent increase on the previous year, giving margins of 16.8 per cent.

In the first half of the current year, Spandax's turnover amounted to £4m and pre-tax profits £683,000.

In the placing Spandex will release 8.5m shares, or 18 per cent of its equity, at 170p per share. It is sponsored by Stock Beech.

The placing will generate £1.11m for the directors, and £1.35m for the company which will be used to fund its overseas expansion, including part of the costs of purchasing its Dutch subsidiary. It will also pay for its new headquarters outside Bristol.

The company expects to pay a 2p per share net dividend in respect of the year to end February, 1987.

Fletcher King share price gives £12m value

Fletcher King, the commercial estate agent about to become only the second company of its kind to join the stock market, yesterday set a price on its shares which will value the whole of the company at £11.9m.

Some 2.3m shares, a third of the equity, are to be offered for sale by Lazard Brothers, the merchant bank, at 175p a share. Broker to the issue is Cazenove and the prospectus will be published tomorrow.

Unlike Baker Harris, which is primarily a City office agent, Fletcher King offers a range of services to clients throughout the UK. Apart from offering agency services for acquisitions and disposals, it manages properties,

The prospectus will show pre-tax profits rising from £33,000 in 1982, when the company's performance was held back by a move to its present offices, *to £717,000 in the year to last* April.

For the current year a profit of at least £1.15m is forecast, putting the shares on a prospective price/earnings multiple of 15.3 after an estimated 36 per cent tax charge.

TSB CI

TSB Channel Islands, the mainland banking group subsidiary which is seeking an independent quotation on the unlisted *securities market*, announced yesterday that its offer for sale had closed oversubscribed.

Details of the level of sub*scription and basis of alloca*tion are expected to be announced this afternoon.

Company Notices

CHEMICAL NEW YORK CORPORATION US$300,000,000
FLOATING RATE SUBORDINATED CAPITAL NOTES DUE 1997

In accordance with the provisions of the notes, notice is hereby given that for the interest period from November 19th, 1986 to February 19th, 1987 the notes carry an interest rate of $6\frac{1}{8}$ per cent per annum.
The interest payable on the relevant interest payment date February 19th, 1987 against coupon No. 8 will be US$765.62 per US$50,000 note.

Agent Bank
Chemical Bank

FS Ratcliffe

Approximately 85 per cent, or 1.01m shares, of the 1.18m FS Ratcliffe shares offered by way *of rights* were taken up.

The balance of 178,000 shares were sold in the market and the net excess over subscription price wil be distributed among the original allottees, except that amounts of less than 250p will be retained for the company's benefit.

BOARD MEETINGS

TODAY

Interims:—Avana, Black Arrow, Electra Investment Trust, John Foster, Gibbon Lyons, Jersey General Investment Trust, Lewmar, London Trust, Sketchley, Warnford Investments, Whitbread.

Finals:—Australia Investment Trust, Ranks Hovis McDougall.

FUTURE DATES

Interims:—

Carless Capel and Leonard	Nov 27
Northern Foods	†Dec 3
Robertson Research	Dec 4
Sims Catering Butchers	Nov 21
Stoddard	Nov 21
Finals:—	
Lee (Arthur)	Dec 15

†Amended

UK COMPANY NEWS

MK Electric back to growth with 7% rise

MK Electric returned to growth in the half year ended September 27 1986. Turnover rose 10 per cent to £66.1m while the pre-tax profit showed a gain of 7 per cent, from £7.8m to £8.4m.

Net operating costs were nearly £5m higher at £57.5m and there was net interest payable of £200,000, compared with £500,000 received. Earnings came to 14.4p (12.1p) and the interim dividend stepped up to 3.7p (3.4p) net.

The group makes electric and electronic connection, control, and circuit protection equipment. In the UK prospects remained good, the directors said, with activity expected to continue satisfactorily.

Overseas, no immediate improvement was expected in the traditional markets, although that would be mitigated by the increasingly strong performance in the newer European and North American markets.

Development of new products continued to be a key strategy. The range of Powerlink products, the versatile high quality power distribution system, continued to be extended. Gent's recently launched system 3400, advanced fire detection and alarm system, had already attracted several "large and prestigious orders," the directors claimed.

UK sales benefited from significant growth in demand from the refurbishment and private housebuilding sectors. Overseas, turnover and contribution was reduced because of the adverse economic conditions in the traditional markets of the Middle and Far East.

Friedland, acquired last year, was performing well and making a positive contribution to profits. Trend Control Systems, purchased earlier this month, added building and environmental control systems to the product range.

The South African interests were sold to local interests. This removed loss making activities which, although modest in scale, had required substantial management attention in a difficult economic climate.

● comment

MK Electric has two good reasons for being grateful to the Chancellor. First, the cut in corporation tax has helped turn an uninspiring 8 per cent increase in pre-tax profits into a rather more impressive 19 per cent advance in earnings per share, and second, the prospects for the pre-tax profits themselves would be significantly less promising were it not for Mr Lawson's loosening of the purse strings on housing expenditure. The weakness of the first half performance is worse than it looks for almost the whole of the profits increase is accounted for by the elimination of losses in South Africa, the first-time contribution from Friedland and the sale of the shares acquired in the abortive bid for Rotaflex. The buoyancy of the UK market combined with a stabilisation of the downturn overseas should enable MK to turn in £19.5m at the year end, but a disgruntled market lopped 18p off the share price to leave it at 168p. With the p/e still at 11 it is hard to see where the excitement is going to come from to take them any higher—bar, of course, the return of the perennial bid speculation.

B. Elliott £0.5m in profit midway

FOLLOWING A sharp recovery in the second half of last year, B. Elliott, machine tool maker, made a pre-tax profit of £542,000 in the six months to September 30 1986, against a £730,000 loss last time. Turnover rose 6 per cent to £30.6m.

Elliott said it was confident that it was well placed to enter a new phase of growth, but warned that the short term outlook was difficult to predict, with some signs of a fall in engineering demand at home.

The company's shares fell 5p to 72p yesterday.

First-half earnings per 25p share were 1.68p (4.25p losses) and the interim dividend is held at 1p net—last year a total of 3p was paid on £1.11m taxable profits.

An extraordinary charge of £478,000 this time related to the sale of the South African machine tool business and was after deducting the minority interest and release from the revaluation reserve.

The company said losses had been eliminated at Butler Newall. The forward workload was being maintained, largely with export orders; the domestic demand for machine tools being low.

This low home demand had greatly reduced the contribution from the UK machine tool merchanting business which had little access to overseas markets. In addition, sales of its Japanese lines had affected by the strength of the Yen. Similar factors led to the merchanting company in Canada making a small loss.

Disposal of the loss-making machine tool operations by the South African group, coupled with the strong performance of its steel business, transformed earnings there. The company expected to be able to remit worthwhile dividends to the UK in the coming months.

New acquisitions—Clarke in the UK and Weldon in the US—had done well, performing even better than the forecasts on which the purchases were made, Elliott said.

The company was looking at what other engineering companies which would further improve the balance of investment.

Abbey Life expands investment side

Abbey Life Group, a major life assurance and financial services group, is to greatly expand its investment operations.

Its recently appointed investment director, Mr Alan Frost, has been reviewing the whole investment set-up, and is implementing a number of changes.

A new investment company will be established—Abbey Life Investment Services. This will be responsible not only for the £2bn funds internally in the group through its life and pensions, unit trust and other activities, but will expand into external fund management. It has applied to become a licensed dealer in securities.

The new company intends to recruit four top flight fund directors/managers. Mr Frost feels that the flexible remuneration structure, salaries in the £70,000 range, will attract and hold the right calibre person.

In conjunction with Abbey Life's newly-appointed sales director, Mr Gary Jones, Mr Frost intends to significantly raise the group profile in the whole area of investment management.

To date, the overall investment performance of Abbey Life's funds has been adequate, but without any sustained dominate performance.

Firth reduces stake in Porter

G. M. FIRTH (HOLDINGS) has sold 500,000 ordinary shares, or 10.6 per cent, in Porter Chadburn, engineering equipment manufacturer, reducing its holding to 54.1 per cent. Firth also own 800,000 Porter 8 per cent convertible redeemable preference shares (39.4 per cent).

The buyer is Mr R. Dinkin with whom negotiations commenced in March. The consideration is £875,000, payable next March.

The disposal is part of Firth's continuing strategy of introducing new shareholders to Porter. Firth considers that the separate development of Porter will enable a greater rate of expansion to be achieved.

In February, Firth placed with institutional investors, an element of its entitlement arising under Porter's rights issue of convertible preference shares.

APPOINTMENTS

Valin Pollen International group finance director

VALIN POLLEN INTERNATIONAL has appointed Mr Norman Lindsay as group finance director from January 1. Currently finance director of the UK subsidiary of Kidde Inc, Mr Lindsay was previously European financial controller of Alberto Culver. From the same date VPI's current group finance director, Mr Michael Horstead, will become deputy chairman of Valin Pollen International, in which role he will be able to devote more time to VPI's acquisition activities generally and more specifically, his role as chairman of MWB and a director of VPT&K and APT.

★

INBUCON MANAGEMENT CONSULTANTS has appointed Mr R. E. Potter as director, public sector services.

★

Ms Joan Christmas has joined the board of LITTLEWOODS chain store division as marketing director. She was marketing director of H. Samuel — retail division.

★

From January 1 Ms Jan Murray will become secretary-general of the URANIUM INSTITUTE in succession to Mr Terence Price, who is retiring. She was assistant secretary-general. The Uranium Institute is the principal international forum of the civil nuclear fuel industry.

★

Mr Ronnie Wilson has joined the board of CONTROL SECURITIES as an executive director in charge of acquisitions and developments. He was, until 1983, senior partner in Bell Ingram.

★

SIMON ENGINEERING has appointed Mr Brian Newbury as managing director of Drake & Scull Engineering. He was group managing director and chairman of three subsidiaries of Carter Thermal Industries.

★

Mr David Doe has joined OFFICE INTERNATIONAL as group commercial director. He was financial director of Universal Office Supplies.

★

SOLAGLAS has appointed Mr Peter Bailey to Solaglas Holdings main board. He joins as managing director of the projects division, and comes from Otis Elevator Co., where he was managing director of its subsidiary, Evans Lifts.

★

NORCROS has appointed Mr E. W. Goold, formerly production director, as managing director of Norprint International.

★

Mr Robin Atkins, chairman of Riley Advertising, has been appointed to the holding company board of REX STEWART & ASSOCIATES.

★

Following the recent reorganisation of NIVISON CANTRADE, the new board consists of the following: Mr Gerrit van Riemsdijk, chairman; Mr Christopher Lyttelton, chief executive; Mr Geoff Chaplin, Lord Chetwode, Mr Roger Eddleston, Mr Tony Fisher, Mr Bernard Le M. Lawrence, Mr Peter Rickett, Mr Tony Ward and Mr Elgin Joos, directors.

★

Mr James Grover has been appointed vice chairman of GUIDEHOUSE INTERNATIONAL, a subsidiary of The Guidehouse Group. Other non-executive directors include Mr Paul van Tilburg, based in Amsterdam, Mr Edgar Sarton, based in Bonn, and Mr Robert Coleman, who mainly operates in the US.

★

Mr Nicholas J. Phillips has been promoted to general manager, property, for the CORPORATION OF LLOYD'S. Mr Chris Engert has been promoted to estates manager.

★

Mr Timothy Fox has been appointed managing director of BARDON LONDON, part of the Leicestershire-based Bardon Hill Group. He succeeds Mr David Manchip, who left the company recently. Mr. Fox has been associated with the group since the early sixties. Since 1982 he has been a director of Bardon Concrete and Bardon (Building Supplies).

★

COMMERCIAL INDUSTRIES (UK), which recently acquired Elemeta, has made the following appointments: chairman and chief executive Mr 'Viv' Davidson; managing director Mr Andrew Brown; and financial director Mr Brian Stewart.

★

Two men from BIS applied systems training division have been appointed divisional directors: Mr David Harris-White and Mr Peter Corthine.

★

The following appointments have been made in the investment department of EAGLE STAR: Mr N. J. D. Ames, chief investment manager; Mr R. K. Lehman and Mrs C. A. Ames, investment managers.

★

Following its recent acquisition by Atochem, Polycol PVC will operate as the Polycol division of ATOCHEM UK. Mr David Gresham is appointed chief executive in addition to his existing responsibilities. The existing management team of Mr David Johnston as marketing and sales manager, Mr Mike Ransen as technical manager, and Mr David Cox as production manager will remain. Mr Duncan Makin, former major shareholder and chairman of Polycol PVC, will be remaining as a consultant to Atochem UK.

★

BENSONS CRISPS has appointed Mr A. M. Fiddian as group finance director.

★

Mr Timothy M. H. Dalton, who until recently was financial controller of Blue Circle Industries, has joined ALLIED-LYONS as deputy treasurer.

★

RUSH & TOMPKINS has appointed Mr Ian Richards as local construction director in the south east. He was director of Lovell Construction's northern office.

★

THE THROGMORTON SECURED GROWTH TRUST has appointed Mr Brian Rout as a director.

★

Mr Paul Horsley, with Hill Samuel for the last 12 years in London and New York, has become chairman of HERBERT DAWE, carbonated soft drinks manufacturer. He has also taken a controlling stake in the company.

★

Mr Kevin Cubbage has been appointed managing director of SPICE from January 1. He is chairman of the consumer products division of McKechnie and prior to that was managing director of Wilkinson Sword's home and garden division. Mr Gordon Spice, currently chairman and managing director of Spice, will continue as executive chairman. Mr Derek Spice, a non-executive director, and Mr Roger Henwood, management services director, have resigned to pursue other interests.

Senior changes at Racal subsidiaries

Mr J. A. D. Timms has been appointed deputy chairman of RACAL-BCC and Mr David Poole becomes managing director of Racal-BCC and Racal Carlton. Mr Timms remains deputy managing director of the Tactical Radio Group. He was formerly managing director of Racal-BCC and Racal Carlton. In his new post he will be organising a method of international procurement for Racal Electronics until his retirement in 1987. Mr Poole was production director of Racal-Mobilcal.

★

COUNTY INVESTMENT MANAGEMENT, the NatWest investment bank group, has appointed Mr James R. Holbrook as assistant director, responsible for marketing to institutional clients based in Europe. He was a director of City Consulting Group.

★

Mr Alan Mole is to take over as chairman of SHANDWICK COMMUNICATIONS. Mr Basil Towers succeeds Mr Mole as managing director, and Ms Claudia Oliver has been appointed a director.

★

Mr Kenneth J. Gilder has joined the board of INSERTECH GROUP INVESTMENTS. He will have overall responsibility for Insertech, which includes the project engineering centre at Barton-on-Humber. He was a director of John Laing International and John Laing Construction.

★

DOBSON PARK INDUSTRIES has appointed Mr S. A. Greaves as a director of its mining division subsidiary company Herbert Cotterill. He is general manager of its Pinxton Works, Nottinghamshire.

UK COMPANY NEWS

Increased revenue returns Thames TV to the black

Thames Television, the weekday London ITV programme contractor, turned pre-tax losses of £3m into profits of £20.3m in the six months to September 30 1986. Turnover in the same period moved ahead from £81m to £105m—an increase of 30 per cent.

Mr Hugh Dundas, the Thames chairman, said that the results reflected not only the growth in the total advertising revenue of the ITV companies but also a significant increase in Thames' share of that total.

The increase in profits resulted in a significant increase in payments of Exchequer Levy. In the equivalent period last year Thames paid no levy; this time it contributed £5m.

However, Mr Dundas added that changes in Exchequer Levy which came into effect from April 1 1986 would yield a net benefit to the company despite the extension of the charges to profits on overseas sales. Currently the rate of levy on relevant UK profits has been reduced to 45 per cent while a levy of 22.5 per cent has introduced on profits from the distribution of programmes overseas.

Mr Dundas said that he expected full-year profits to be substantially ahead of those for the year 1985-86.

He added that the outlook for television advertising revenue remained good although the rate of growth was slowing down from the exceptional levels reached in the first nine months of 1986.

Following the recent publication of the Peacock Committee report on the financing of the BBC, the Government is considering extending the franchises of the ITV companies, which are due to expire on December 31 1989.

Trading profits amounted to £15.5m (£2.3m losses) and are calculated after Thames' subscription of £14.3m (£13.7m) to the funding of Channel Four.

The extraordinary item of £502,000 (nil) was in respect of Thames' flotation costs when it came to the main market in July and was accounted net of Exchequer Levy.

After tax of £3.8m (£973,000 credit), earnings per 25p ordinary share worked through at 13.32p (4.18 loss). The company declared an interim dividend of 4p—having forecast one of not less than 3p.

● comment

Buoyant advertising revenues have enabled Thames to bump its first interim dividend as a listed company up by 1p a share from the 3p forecast at the flotation. Net advertising revenues were up almost two-fifths at £92m, accounting for a bigger proportion of turnover than usual due to the drop in overseas programme sales to £7m (from £11m). London now has 27 per cent of the national television advertising spend and Thames, with 16.3 per cent, has won some share off LWT. However, last week's flurry of interest in the independent television sector looks to have been overdone in the case of Thames. While an American investor has a small (less than 2 per cent) stake, the company is hardly a bid target before 1989, when the commitments of BET and Thorn-Emi to the IBA come to an end. However, the value to be placed on Thames' hidden reserves — its archive — is probably the decisive factor in persuading it to stay out of DBS and possibly Superchannel as well. Thames may consider that Wertheim's $80m valuation on the catalogue is "uninformed" (based as it is on multiplying by seven last year's £9m trading contribution from Thames Television International) but it is clearly convinced that more is to be gained at less risk from an arms length relationship with the hardware end of the business. For the year £22m pre-tax puts the shares at 327p on a prospective p/e of 11.

Young Brewery disappoints with £2m

UNCHANGED midterm profits of £2.02m pre-tax at Young & Co's Brewery were described as disappointing by Mr John Young, the chairman.

He pointed out that prices in the company's pubs were generally much lower than its competitors, with a resulting sharp effect on profits at a time when beer sales were continuing to fall.

"We have also incurred some non-repetitive costs in the past six months, mainly in setting up our export drive in the US and in installing a new bottling line at the brewery," he stated.

Mr Young added, however, that the group was confident of reaping the benefits of its investment in the US and it was taking steps to strengthen its share of the take-home market in the UK.

For the six months ended September 30 1986 there is an interim dividend increased from 3.5p to 4p—last year's final was 4p from pre-tax profits of £3.35m.

Midway turnover rose from £19.61m to £21.34m while after tax of £707,000 (£811,000) earnings per share were 10.11p (9.33p).

33% advance at CML Microsystems

CML Microsystems, a USM quoted maker of electronic devices, raised pre-tax profits by 32 per cent from £678,000 to £902,000 for the six months to September 30, 1986. Turnover increased 21 per cent to £3.42m.

Mr George Garry, the chairman, said the results supported his optimism that the group would achieve satisfactory growth in the current year.

Higher sales were recorded by each of the group's operating companies and budgeted profits were in all cases met. Mr Garry said the group's product and market development activities were all proceeding well and significant benefits from these were expected to show through next year.

First-half tax charge was £343,000 (£271,000) and after minorities, the attributable balance came through ahead from £372,000 to £524,000. Stated earnings per 10p share increased from 4.3p to 6.1p.

As in previous years, there is no interim dividend.

Moran Tea lower at £639,000

As expected, Moran Tea Holdings, the tea estates, freight forwarding and property development concern, turned in reduced profits for the 12 months to June 30, 1986.

Pre-tax figures for the period came out at £639,000, against £2m for the previous 18 months and a stated annualised £1.4m (not 12/18ths of reported figures because Trans-Global shares were only acquired on July 5, 1984).

At the after-tax level, profits came to £433,000, against £491,000 for 18 months and an annualised £358,000. Stated earnings per £1 share increased to £2.74p (71.17p for 18 months and 47.45p annualised).

A final dividend of 12.5p net is recommended making a total of 20p, against a forecast of not less than 15p. This compares with 12.33p on an annualised basis (18.5p for 18 months)—an increase of 62 per cent.

Tea price fall cuts Williamson profits

A drop in tea prices hit pre-tax profits at Williamson Tea Holdings and the company reported an almost 82 per cent decrease from £19m to £3.5m in the year to June 30 1986. Turnover slumped from £51.6m to £32m.

The directors said the profits fall was as forecast but added that prospects for 1986-87 were encouraging.

Tax fell to £1.7m from £9.6m making earnings per £1 share of 47.54p (273.54p). The proposed final dividend is 10p (20p), making an unchanged total of 20p.

Abbeycrest growth continues

Abbeycrest, the USM quoted producer of gold and silver jewellery, lifted its profit by £93,000 to £381,000 in the six months ended August 31, 1986.

This gave a total of £1.01m for the 12 months to that date in an accounting period running for 16 months to the end of 1986. In the comparative period the profit was £760,000.

Mr Michael Lever, chairman, said the substantial growth in profits resulted from the expansion of all activities. A significant strengthening of the product range led to increased penetration of the market for high volume, inexpensive jewellery.

Turnover in the second period was £4.36m (£3.61m) and up to £9.87m (£7.6m) for the 12 months. Mr Lever said indications were that further substantial growth would be achieved in the final four months.

Product selection and order indications from major customers for 1987 also augured well.

Earnings for the 12 months came to 9.6p (7.2p) and the company has declared a second interim dividend of 1.5p to make 2.5p to date—the directors expect to recommend a final. They have again waived dividends of £30,000.

COMPANY NEWS IN BRIEF

YEARLINGS—Interest rate for this week's issue of local authority bonds is 11$\frac{1}{16}$ per cent, up $\frac{1}{16}$ of a percentage point from last week, and compared with 11$\frac{1}{4}$ per cent a year ago. The bonds are issued at par and are redeemable on November 25, 1987. A full list will be published tomorrow.

OCEANA CONSOLIDATED: Dividend 1.1p net (1p) for year ended March 31 1986. Profit before tax £324,000 (£801,000), including dividend and interest £249,000 (£280,000), other trading income £221,000 (£105,000), and profit on sale of investments £103,000 (£574,000). Earnings 3.4p (9.15p) after tax £109,000 (£233,000) and minorities £6,000 (£7,000).

WELPAC, which wholesales pre-packed hardware, DIY products and electrical goods, returned to growth in the half year ended July 31 1986 with the pre-tax profit up from £128,000 to £173,000.

ATLANTIC RESOURCES (oil and gas explorer): pre-tax loss of ££161,000 (££1m loss) for six months to June 30 1986. Sales revenue £295,000 (£617,000). Operating expenses and production tax £13,000 (£80,000). Net production income £93,000 (£7,000). Administration expenses £475,000 (£575,000). Interest receivable £450,000 (£300,000). Interest payable £357,000 (£662,000). Gain on sale of Government Securities £110,000. Tax £200,000 (£149,000). Loss per share 0.3p (1.4p).

WHITBREAD INVESTMENT COMPANY, an investment trust, reported net asset value per share up almost 22 per cent from 243.8p to 297p in the six months to September 30 1986. Net revenue moved ahead from £2.6m to £3m.

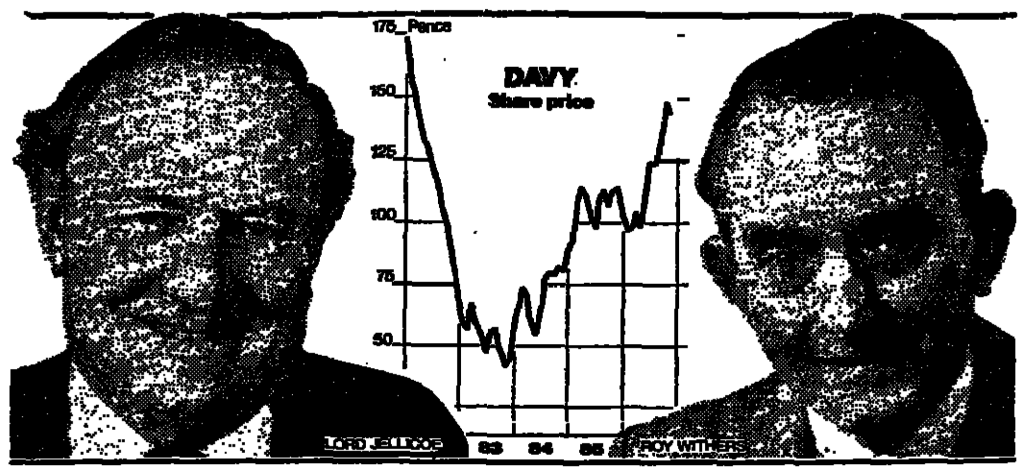
MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Davy Corporation

Surviving on natural caution

Tony Jackson explains the UK process plant group's faith in R & D



DAVY CORPORATION, Britain's biggest process plant engineer, seems to be on the mend. Last week's announcement of a proposed $200m deal with Standard Oil of the US contrasts strongly with the dark days of 1983, when profits plunged from £20m to £6m, the dividend was halved and the share price plunged to under 40p—a fifth of the level of two years before.

Davy's recent rehabilitation with investors began four months ago, with the announcement of full year profits back up to over £16m. The share price is now nudging 150p. This is 50p short of the 1981 peak, but then profits are also £10m short of the record £26m in 1979.

Davy has survived a particularly atrocious period for big plant contractors. Petrochemicals, a big chunk of the group's business, are a fair sample of what has happened in most of Davy's markets: wildly optimistic overbuilding in the late 1970s, a period of heavy losses by customers in the early 1980s, and the industry still more concerned with overcapacity than with new investment.

Part of Davy's survival strategy was grimly familiar: from a peak in 1980 of 20,000, the group's employee total is now under 8,000. The financial cost was heavy, resulting in large net losses in both 1983 and 1984. The group has a tradition, though, of cautious financial management; the year to March 1983, which saw a bottom-line loss of £14m, also finished with the balance sheet showing net cash and investments of over £60m.

Caution and conservatism crop up throughout Davy's own account of its survival. The group has been careful, it argues, not to put all its eggs into one basket, in terms either of industrial areas or of geography.

Roy Withers, Davy's vice chairman, says "no-one foresaw the quite astounding decline in process plant in the early 1980s. But we maintained our interests in India, South East Asia, Australia and so on, precisely because we saw that you can't foresee where activity will be strong, and you therefore need to think on a world basis. When Brazil and Iran were turning down, we got 31 contracts in China, and we were able to do that because we'd set up our stall in China beforehand."

Peter Waite, head of the group's petroleum and chemicals business, says "Davy has always prided itself on having a broad base of technology, and not being too exposed to any one area. So when the North Sea fell off a cliff, for instance, we didn't fall with it."

The group has had its disasters, such as an olefins plant in the USSR which cost it over £14m in the early 1980s. But it was less involved than most in the mega-projects which characterised the late 1970s. Waite says: "Davy has not really gone for the low-margin projects where the skill is marshalling a large number of bodies." Or, as the chairman Lord Jellicoe puts it: "It is process technology we're selling, not just hours of engineering work."

The deal announced last week is an example of this, proposing as it does that Davy should build a plant for Standard Oil, costing an estimated $200m, which will use technology developed in Davy's own research laboratories.

Davy is unusual among process plant contractors in its insistence on in-house research. The group as a whole spends around £5m a year on R & D. This is small beer compared with the likes of ICI, Britain's major chemicals group, but as Waite says, "a couple of years ago when we were only making £6m pre-tax the temptation to trim was great—and we didn't."

As another Davy executive puts it: "Staying in R & D was natural caution."

The technology for the Standard Oil project, involving the manufacture of three rather recondite chemicals—1,4 butanediol, gamma - butyrolactone and tetrahydrofuran—is derived from a research project which originated 15 years ago. Davy, Johnson Matthey and Union Carbide joined forces in 1971 to develop a cheaper way of making Oxo alcohols, used as plasticisers in making PVC.

The first plant to emerge from that project was built for Union Carbide in Puerto Rico in 1976. Twelve more have been built since, in the US, Sweden, West Germany, Poland, China, Japan and Korea.

Davy meanwhile carried on independent research in its UK laboratory at Stockton. The chemistry is complex, but it would appear that the process threw off an unwanted byproduct which the researchers worked at reclaiming. The resulting process, says Davy, turned out to lead to the chemicals involved in the Standard deal. They can now be made from the intermediate chemical maleic anhydride, which Standard can in turn produce cheaply using butane rather than the more expensive acetylene as a feedstock.

The Standard construction contract—which is not yet signed—is not unusually big in this business. It is the fringe benefits which point up the advantages of proprietary technology. Davy would aim to get a lump sum payment for the technology itself, a royalty on sales and—since the licensing is to be exclusive to Standard—the right to construct any future plants Standard may build around the world using the technology.

Much of Davy's technology has come through the acquisition of companies, one of the best examples being the 1971 purchase of Zimmer. Zimmer specialises in plant design and the supply of proprietary equipment to the artificial fibre industry.

For Waite this raises all sorts of optimistic ideas. "With Standard, we will have a chain which takes us from butane through to butanediol. Our Zimmer technology then takes us to PBT (polybutylene terephthalate), which is the route into engineering plastics. We then ought to be able to go on to PBT fibres, which should be very competitive with nylon fibres. There are various exit points along the route, all of which have commercial significance, and all involving plant which Davy can supply and build."

This might suggest Davy moving into new areas of activity. Most Davy executives—cautious as ever—demur, saying that they are plant contractors pure and simple. The chairman Lord Jellicoe—like Waite, a relative newcomer to the company—sees it differently. "I wouldn't necessarily discard a joint venture or an equity stake in a new process," he says. "That's a higher risk approach, and a new route for Davy—but I wouldn't rule it out."

Corporate histories

Limited liability offers a 1980s boom

Leslie Hannah advises companies on literary approaches to their centenary celebrations

IT TAKES about a generation for new ideas to become conventional wisdom. In the 19th century the number of limited liability companies grew only slowly after limited liability legislation was first introduced in 1855. By 1885 there were still only 60 "limiteds" in domestic manufacturing and distribution quoted on the London Stock Exchange. Then growth was rapid: with 500 new public companies in two decades. Now—100 years after this boom in public quotations—there is a wave of centenaries, and a wave of company histories to celebrate them.

Few chairmen and managing directors realise how organising a company history can tie them up in knots. GEC, the electronics group—despite commissioning distinguished authors and blue chip publishers—ended last year without its planned centenary history. Others—from retailer Marks and Spencer through Inchcape, the international trader, and British Petroleum, to retailer W. H. Smith—got it right. There are more to come soon: *Grand Met* (hotels and leisure), Glaxo (chemicals and pharmaceuticals), GKN (engineering) and Morgan Grenfell (merchant bank).

Not all are centenary histories (and it reduces the time pressure on the author if they are not), but most go back 100 years or more.

How does a company go about hiring a historian? The favourite route is via the chairman's alma mater.

This is the classic route pioneered by the UK textiles group Courtaulds, Pilkington, the glassmaker, and Unilever, detergents and foods group. Their histories were written by Donald Coleman, Theo Barker and Charles Wilson, all *economic historians of Cambridge*, the London School of Economics and Cambridge, respectively.

If the conversation with the favoured university historian "clicks," this method is fine, *but it is difficult for a company* otherwise to get impartial professional advice. Publishers will sometimes take on the task; Tim Farmiloe of Macmillans, for example, has some expertise in this field.

PR firms are good at advising on glossy commemorative brochures, but usually flounder when full-scale book publication is wanted. Some literary agents (AP Watt; Jennifer Kavanagh; and Campbell, Thomson, McLaughlin are among the best) will advise on authors, but they are, of course, acting for the authors rather than the company.

A new enterprise seeking to fill the gap started up last year trading as Debrett's Business History Research. Professor Theo Barker is chairman and Stephanie Zarach (formerly an Electricity Council and Atomic Energy Authority historian) is Director of Research, co-ordinating a team of freelances.

They take full responsibility for the history on a commercial basis and are slowly building up a portfolio of clients including Linklaters & Paines and other professional firms.

The Business History Unit at the London School of Economics has 82 firms among its sponsors, and provides a (free) advice service for directors considering commissioning a history.

Companies need to get clear in their mind on what basis the writer is working. The best authors will only accept commissions on a "warts and all" basis. Litterati of the past, like Compton McKenzie, were known for only accepting business commissions at ridiculous fees, but I have not yet encountered one in England who followed the example of a German professor I once met. *His fee was DM 100,000 if the* book were published, but DM 200,000 if the company suppressed it!

There have been cases where the company did not think the history suitable and has not published; they include Guinness, the drinks and leisure group, and Kleinwort Benson, the merchant bank. The reason can be the discovery of a skeleton in the cupboard, but is just as likely to be a new chairman with different views.

Suppression is obviously not popular with authors for whom it means the loss of an academic *promotion or a commercial shop* window. Disagreements are perhaps not surprising; history is more controversial than one might think, as British TV viewers have been reminded recently by the Monocled Mutineer controversy.

Many are the company chairmen who have had to admit that in the end their view of the offending manuscript is not that much different from that of the Communist Party of the Soviet Union on the question of the freedom to write history!

But for history to be taken seriously, the author has to be free to make his own reasonable judgments, subject only to arbitration in matters where premature divulgence of recent history would be commercially costly. Patents or antitrust are common areas of difficulty, but most authors will accept reasonable arbitration *clauses to cover* such cases.

Of course, some companies have more fundamental problems which require really creative writers. In particular, the ravages of wartime bombing, *Thames flooding and the com*bined impact of rats and takeover bids have quite devastated many companies' records. Advice on archival questions is available from the Business Archives Council, which now has more than 50 years' experience of advising companies on the long-term problems of records management.

Will it all be worthwhile when the author's manuscript finally lands on the boardroom table? Most companies are usually happy and the books certainly last longer than the champagne reception, staff bonuses, charity concerts, and other centenary celebrations. On publication, the book is sometimes greeted with remarks reminiscent of Henry ("History is bunk") Ford, and the old hands *think* they could have done the job better themselves.

On the other hand, some delighted companies find their corporate culture reinforced by the historical record; it is no accident that almost all Japanese companies and most of the companies mentioned in the "Excellence" books by Peters and Waterman have corporate historians.

Many comment that history provides experience cheaply which originally cost dearly. The result is that the corporate historian is drafted in to participate in in-house management training; he provides a broader perspective and a ready source of case studies.

But business historians in Britain still have a long way to go. There are still no history consultancies as well established and professional as the Winthrop Group in the US. And it remains rare to hire historians to write contemporary history, as some US corporations are now *doing*. Wells Fargo Bank has a team of 13 historians working on archives (some of them part of its publicity team) and making collection of recorded interviews with retiring executives to preserve the corporate memory.

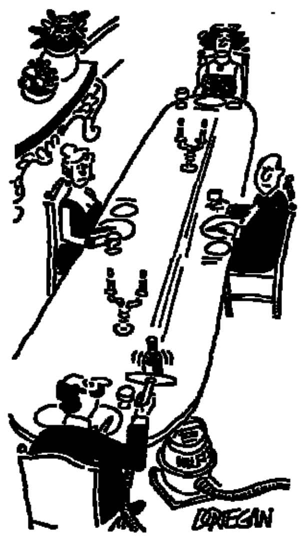
AT & T, US telecommunications group, has asked Professor Peter Temin of MIT to record the results of deregulation in America from inside the corporation, using contemporary documentation. (A lesson here for Sir George Jefferson and British Telecom?)

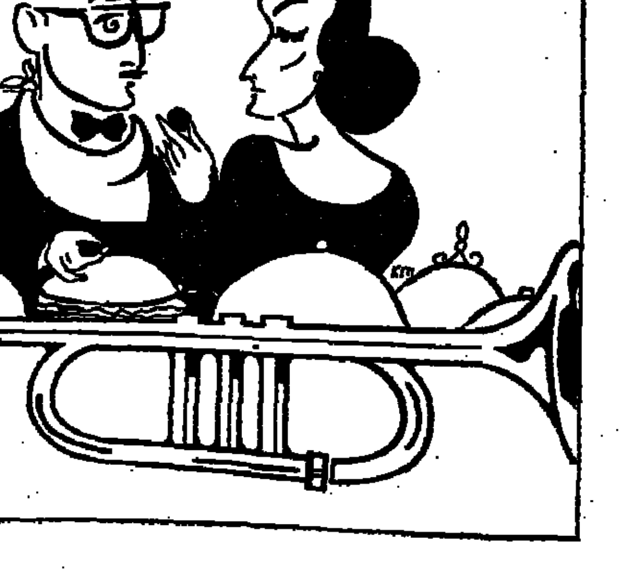
One of the surprise spin-offs of Mrs Thatcher's university policies is an increased willingness on the part of academics to take on contract research of this kind to supplement departmental budgets and provide employment for their graduates.

The current boom in company nostalgia may be demand-led from the accidental concentration of centenaries; but the supply push looks like being just as strong while the current squeeze on the universities' traditional activities continues.

Professor Leslie Hannah is Director of the Business History Unit at the London School of Economics.

Some useful addresses: Business Archives Council, 185 Tower Bridge Road, London, SE1 (Tel: 01-407 6110); Business History Unit, 10 Portugal Street, London WC2A 2HD (Tel: 01-405 7686 x 3110); Campbell, Thomson, McLaughlin, Literary Agents, 31 Newington Green, London N16 9PU (Tel: 01-249 2971); Debrett's Business History Research, 1 & 3 Regent Street, London SW1Y 4NZ (Tel: 01-930 6974); Jennifer Kavanagh, Literary Agent, 39 Camden Park Road, London NW1 9AX (Tel: 01-482 3676); Macmillan Press, 4 Little Essex Street, London WC2R 3LF (Tel: 01-836 6633); A. P. Watt, Literary Agents, 26/28 Bedford Row, London WC1R 4HL (Tel: 01-405 6774); The Winthrop Group, 17 Dunster Street, PO Box 900, Cambridge, Mass 02238 USA (Tel: (617) 497-0777).





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Australian	20.9	22.3	−0.1	2.37
Japan & Gen.	104.8	111.3	+0.9	0.00
High Income	44.7	47.6	−0.1	6.92
Intnl Trust	85.2	90.7	−0.4	1.46
Income Gwth Tst.	48.0	51.1	−0.1	3.62
Gilts & Fixed Int.	19.9	21.2	......	10.30
Capital Markets Sec.	34.9	37.2		1.96
Special Situations	41.0	43.7	−0.1	1.38

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	105.6	111.7	−0.4	10.74
High Inc Equity	94.3	100.3xd	−0.2	5.37
Worldwide Bond	196.0	209.0xd	+0.5	4.62
Capital Growth				
American Growth	136.1	146.0	−0.5	0.85
Asian Pacific	57.1	61.0	−0.3	1.05

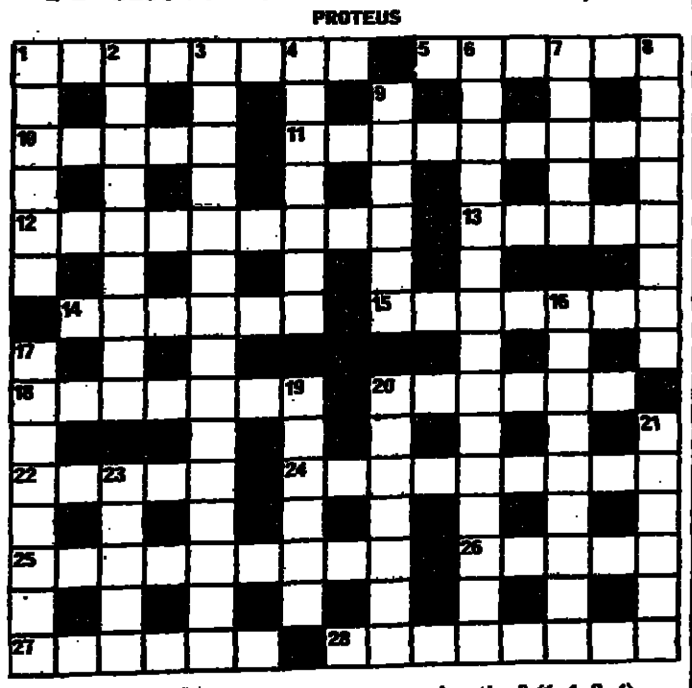
Barclays Unicorn Ltd(a)(c)(g)
Unicorn Ho. 252 Romford Rd, E7 01-534 5544

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 28291. Dealing (0793) 610366

Baring Fund Managers Ltd
PO Box 156, Beckenham, Kent BR3 4XQ 01-658 9002

FT CROSSWORD PUZZLE No. 6,181

PROTEUS



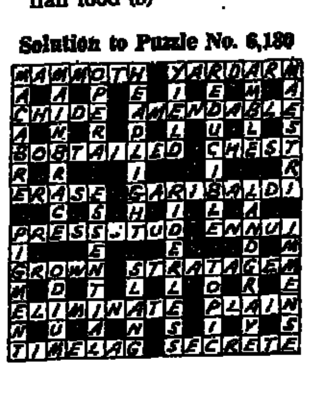
ACROSS

1 Levers of power in birds' drinking-places? (4-4)
5 Old car to take to the dance (6)
10 One wood that appears perfect (5)
11 Bird finding answer in amalgamation (9)
12 Bird finding corn husks on island (9)
13 Go right back for example into ravine (5)
14 Girl with European type of aerial (6)
15 Don't do anything to be a burden (7)
18 Conducted negotiations and bought drinks all round (7)
20 American comedian getting first laugh with fish (6)
22 About to hold up early opening in foreign currency (5)
24 City sailors that work only when thrown into water (4, 5)
25 One affronted about being cut off (9)
26 Liberal in first-class compartment or elsewhere? (5)
27 First German composer to have kidney trouble (6)
28 Have side plastered with sticky substance (8)

DOWN

1 Drive home with first love in tight hold (6)
2 Effective workman (9)
3 Totally unexpected athletic acceleration? (4, 4, 3, 4)
4 Tell tales of Italian church (7)
6 Where to get a house for nothing say (6, 4, 5)
7 One who gets up several times in a flight (5)
8 Serviceman giving material to worker (8)
9 More coy than Jeffrey or Dan perhaps (6)
16 Anyone in London may see the picture of his marriage to Lorna Turner if in doubt (9)
17 Left gazing round at bird (8)
19 Discussion on what society girl had to eat? (6)
20 Happened to need time in bed (7)
21 Hope to see mixed pairs entry first (6)
23 Keep a staff to produce Italian food (5)

Solution to Puzzle No. 6,180



INSURANCES

AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-6 Alkyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	93.5	98.4	-0.9	—
American Acc	98.8	104.0	+0.1	—
Deposit Acc	99.2	104.4	—	—
European Acc	106.8	112.4	-0.5	—
Far Eastern Acc	106.9	112.5	-1.3	—
Fixed Interest Acc	82.2	86.6	+0.1	—
International Acc	105.2	110.8	-0.4	—
Property Acc	114.9	121.0	+0.3	—
UK Equity Acc	92.3	97.1	-0.5	—
Alpha Range—Pensions				
Managed Acc	95.5	100.5	-0.3	—
Premier Range				
Managed Acc—Life	102.4	107.7	-0.8	
Managed Acc—Pensions	103.4	108.9	-1.0	

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6802

Managed Growth	248.29	261.35	-1.88	—
Managed Income	119.34	125.69	-0.79	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	349.2	367.6	-0.5	—
Managed Accum	296.1	311.7	-0.3	—
Equity Accum	431.0	453.7	-0.4	—
Property Accum	206.5	217.4	—	—
International Accum	265.0	279.0	+0.1	—
Gilt-edged Accum	193.2	203.4	-0.8	—
Money Accum	175.7	185.0	+0.2	—
American Accum	178.8	188.2	-0.1	—
Australia Accum	152.1	160.2	-1.2	—
Financial Accum	201.4	212.0	-0.1	—
"500" Accum	217.4	228.9	-0.5	—
European Growth Accum	140.7	148.2	—	—
Income Accum	240.9	253.6	-0.2	—
Japan & Gen Accum	296.4	312.0	-0.7	—
Leisure Accum	148.9	156.8	-0.1	—
Spec Sits Fd Accum	121.4	127.8	-0.3	—
Universal Tec Accum	107.1	112.8	-0.5	—
Managed Pns Accum	394.1	414.9	-0.2	—
Equity Pns Accum	144.0	151.6	+0.1	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Nov 12	256.5	270.5	—	—
Fixed Int(A&B) Nov 12	163.5	172.5	—	—
Man Grwth(A&B) Nov 12	527.5	555.5	—	—
Money Fd (A&B) Nov 12	142.0	149.5	—	—
Cap Fd(A&B) Nov 15		400.0	+16.5	—
C.&&.SpecFd(A&B)Nov15		166.0	+7.5	—
FarEastEqty(A&B)Nov 12	177.5	187.0	—	—
N.Amer Eqty(A&B)Nov 12	109.5	115.0	—	—
IntTechnlgy(A&B)Nov 12	157.5	166.0	—	—
Property (A&B) Nov 12	198.5	209.0	—	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	142.6	150.4	-1.1	—
American Equity	123.8	130.0	—	—
Far East Equity	157.8	166.4	—	—
Managed Fund Acc	360.0	380.0	—	—
International Equity	182.2	192.2	-0.5	—
Gilt Edged	178.9	188.7	-0.6	—
Money Fund	144.2	152.1	—	—
CCL Henderson	157.4	166.0	-0.6	—
CCL Perpetual	196.7	207.5	-2.2	—
CCL Property	227.4	239.9	+0.3	—
Smaller Cos	250.6	264.3	+0.2	—
Perpetual Eurogrowth	114.7	121.0	—	—
CCL Hend'son Prime Res	97.2	102.5	—	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	170.0	178.9	—	—
Criterion Mngd Fund	164.9	173.3	—	—
Pension Mngd Cap	52.4	55.1	—	—
Pension Mngd Acc	61.3	64.5	—	—
Pension G'teed Dep Ac	34.4	36.3	—	—

For closed fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds

INSURANCE, OVERSEAS & MONEY FUNDS

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	422.9	445.2	-1.3	
Property Acc.	215.6	227.0		
Equity Acc.	562.8	592.5	+0.9	
Fixed Interest Acc.	190.3	200.4	-0.6	
Index-Linked Acc.	110.2	116.0	+0.5	
Cash Acc.	182.3	191.9		
American Equity Acc.	196.6	207.0	-1.4	
U.S. Bonds Acc.	137.1	144.4	+1.2	
Japan Acc.	211.0	222.2	-4.5	
Pacific Acc.	134.0	143.2	-0.2	
Far Eastern Acc.	406.7	428.2	-3.7	
International Acc.	359.8	378.8	-4.6	
U.S. Dollar Acc.	100.3	105.6	+0.3	
Yen Acc.	128.7	135.5	+0.3	
European Currency Acc.	117.8	124.1		
Distribution	173.0	182.5		8.50
European	124.6	131.2	-0.6	

Sun Life Pensions Management Ltd
(Units for individual pension contract)

Pens. Managed Acc.	457.0	481.1	+0.2	
Pens. Property Acc.	182.9	192.6		
Pens. Equity Acc.	574.1	604.4	+4.9	
Pens. F. Interest Acc.	193.3	203.5	-0.6	
Pens. Ind. Link. Acc.	110.5	116.4	+0.5	
Pens. Cash Acc.	196.5	206.9	+0.1	
Pens. Amer. Equity Acc.	187.5	197.4	-1.4	
Pens. U.S. Bonds Acc.	153.2	161.3	+1.7	
Pens. Japan Acc.	216.3	227.7	-5.1	
Pens. Pacific Acc.	167.6	176.5		
Pens. Far Eastern Acc.	631.5	664.8	-4.4	
Pens. Internat. Acc.	499.2	525.5	-5.4	
Pens. U.S. Dollar Acc.	106.0	111.6	+0.4	
Pens. Yen Acc.	153.0	161.1	+0.4	
Pens. Euro. Curr. Acc.	132.7	139.7		
Pens. Eund. Acc.	127.7	134.5	-0.7	

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks 0732 450161

Equity	£243.42	258.98		
Fixed Int.	£148.88	149.42		
Index Linked	£112.06	112.42		
Property	£184.50	190.20		
Cash	£140.50	140.50		
Mixed	£217.41	228.15		
International	£192.32	198.26		

Next sub day November 19.

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

[illegible]

Knight Williams & Company Ltd
33 Cork Street, London W1X 1HE. 01-409 0271

KW M&G Managed				
KW Henderson Man 1	95.3	100.4		
KW Henderson Man 2	95.1	100.2	-0.1	
KW GRE Managed	97.6	102.7	-1.1	
KW Schroder Man	94.0	98.9	-0.4	
KW Prudential Man	93.4	98.4		
KW CU&E Fd Man	95.8	100.9	-0.5	
KW Albany Man	96.7	101.7		
KW Crown Man				
KW Ryl Heritage Man				

Lamont & Partners Ltd.
48 Charles St., London, W1X 7PB. 01-629 4509

Private Mangd Accum	267.9	276.8	+0.4	

Management & Executive Ltd
Royal Hse, Sovereign St., Leeds 0532 435200

M&E RIL Man Fd	137.7	145.0		
M&E GRE Man Fd(z)	121.0	127.4	-1.6	
M&E Eq Law Man Fd(z)	103.6	108.9	-0.3	
M&E Crown Man Fd(z)	101.8	107.1	-0.5	
M&E Schroder Pen Fd(z)	117.1	123.2	-0.3	
M&E Target Pen Fd(z)	59.0	62.2		

Marsh Financial Management Ltd
2/4 Vale Ave, Tunbridge Wells. TN1 1DJ. 0892 515616

Marsh (M&G) Fund	101.0	106.3	-1.5	
Marsh (M&G) Pens Fd	117.2	123.2	+0.1	
Marsh (Target) Fund	100.9	106.3	-0.7	
Marsh (Target) Pens Fd	55.7	58.7	-0.1	
Marsh (Schroder) Fund	95.5	100.5		

Noble Lowndes & Partners Ltd
PO Box 144, Croydon 01-686 2466

Lowndes (Cler. Med.)	100.0	101.9	-0.1	
Lowndes (Scot. Equit.)	99.9	105.2		

The Norminster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

Mngd. Susr Man.	103.5	109.0		
Man Schroder	99.0	104.2	-0.1	
Pen Man Schroder	98.0	103.1		

PBR Fund Management Ltd.
146a Queen Victoria St, EC4V 5AP 01-236 4070

[illegible]

Charterhouse Bank
1 Paternoster Row

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS
3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons.	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs.	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brist. Oil & Min.	$3\frac{1}{2}$
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	65
Legal & Gen	28	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk.	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

All-change again on green currency

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission last night performed an unexpected "about turn" by putting forward proposals to help British and French meat farmers.

The package included a 6 per cent devaluation of Britain's Green Pound for beef (and 2 per cent for sheep meat) and respectively a 3.3 per cent and 3.2 per cent devaluation of the Green Franc on French beef and sheep meat. In addition, there was a measure to accelerate the timing of the payment of the ewe premium to French lamb producers.

The move followed intense political pressure from Britain and France after Monday's decision by a special meeting of EEC commissioners in Brussels not to respond to the special pleas for help from British beef farmers and the French lamb lobby.

Last night's package, if approved by the Council of Agriculture Ministers, would boost domestic farm incomes in both countries.

It was not clear, however, how Farm Ministers would react to the latest commission plans, which do not include an idea floated by Mr Frans Andriessen, the Farm Commissioner for a 10 per cent tax on British lamb exports.

Some member states were understood to be insisting that more time was devoted to discussing the new ideas.

The commission came up with its new package yesterday by means of the so-called "accelerated written procedure." This is a rare, but not unprecedented, procedure which does not involve a formal meeting of commissioners.

Farm Ministers, meanwhile, appeared to have made little significant progress yesterday on the Commission's far-reaching ideas for reducing milk and beef surpluses.

EEC's policy acrobatics anger UK and France

BY TIM DICKSON

"IT LOOKS like a non-story but it's a damn good tale." That was how one shrewd Brussels observer summed up the European Commission's failure on Monday morning to come forward with proposals to help British beef farmers and French lamb producers.

The apparent non-event, in fact, has created a major political hullabaloo which was rumbling on throughout yesterday and raised all sorts of important questions about EEC agri-monetary policy, including the consequences for British farmers of Mrs Thatcher's continued refusal to join the European Monetary System EMS).

The episode also inspired the not entirely unfamiliar sight of Mr Frans Andriessen, the EEC's Farm Commissioner, standing on his head and the entirely familiar spectacle, where European farming is concerned, of blatant political considerations outweighing some fundamental economic truths.

Developments last night seemed to indicate that the acrobatic display was not yet over.

To understand what happened (or did not happen) on Monday morning it is important to distinguish the essentially separate French and British problems. In a nutshell the French Government is appealing for special help to support its hard pressed lamb producers, widely acknowledged to be some of the poorest farmers in the Community and hard hit recently by the sharp fall in domestic prices. One factor contributing to this has been the large quantities of British lamb sold into the French market by traders taking full advantage of sterling's recent weakness against other EEC currencies. Hence the well publicised violence against lorries conveying British meat.

For the British "difficulty," however, you have to look west to Ireland and the Commission's decision to grant that country a 6 per cent devaluation of its "green" currency in September. Green currencies are used to

Mr John Gummer . . . Notably irritated

translate common EEC farm support prices into national currencies and the effect of that move was to give Irish beef farmers a significant competitive advantage over the UK. According to the National Farmers' Union the consequent reduction in Irish monetary compensatory amounts (MCAs) —used to even out fluctuations in national currencies—represented an immediate "gain" to the Irish of about £34 a head and has inspired a large increase in Irish exports of beef to the UK and particularly serious distortions including opportunities for cross-border smuggling—in Northern Ireland.

After some hesitation the British Government submitted its own application to the Commission for a devaluation of the Green Pound—an application which until last week had generally fallen on deaf ears.

Faced with increasingly urgent demands from Paris and London to do something about these twin problems, Mr Andriessen put forward to his fellow Commissioners a package on Monday which included a 6 per cent devaluation of the green pound *for beef* (to help Britain) and a 10 per cent tax on British lamb exports (to appease the French).

Although some dispute whether this would have solved the underlying problem, it was clearly carefully designed to provide political satisfaction. But it also involved Mr Andriessen laying himself open to charges of gross inconsistency.

On the lamb question, for example, he was proposing the introduction for the first time in this sector of negative MCAs. Yet for much of this year the Commission has emphasised its dislike for the MCA system and has affirmed its determination (possibly during next year's farm price negotiations) ultimately to abandon the whole scheme.

In proposing Britain's green pound devaluation, meanwhile, Mr Andriessen was also contradicting his earlier arguments that such adjustments should only be made once a year at the April price fixing, that the budgetary costs would be considerable, and that the concession to Ireland had been made in "exceptional" circumstances (essentially bad weather and the unusually depressed Irish farm incomes).

As it happened, only 10 of the 17 EEC Commissioners turned up to Monday's special meeting to consider the package with the result that the necessary nine votes in favour could not be mustered. Whether the seven absentees missed planes or deliberately stayed away is the subject of some speculation in Brussels but it is rare for Mr Andriessen not to get his way on a package of this importance—especially given the national interests concerned—and the consequent irritation of the British and the French, notably Mr John Gummer, Britain's junior Agriculture Minister, was one well publicised result.

The proposed measures would certainly have involved a cost to the EEC budget—though one not publically (or some say privately) quantified. It is also increasingly pointed out in Brussels that if sterling had been subject to the disciplines of the EMS, the British problem would be significantly less serious.

Developed world mine closures inevitable, says Amax chief

BY CHRIS SHERWELL IN PERTH

MINE SHUTDOWNS in industrial countries are inevitable because mining activities in less developed countries had totally altered the industry's outlook in the free world, Mr Allen Born, president and Chief Executive of Amax, the US Minerals Corporation, warned yesterday.

He was speaking at an international conference in Perth, Western Australia, on trade and investment in Pacific Rim nations. His gloomy remarks reflected his contention that the world minerals business was "in a sorry state."

Mr Born said less developed countries were subsidising their mining industries and not worrying about environmental effects, regulations or costs. They were not even concerned with profit and loss, because of their need for foreign exchange and domestic employment.

The result was that high cost producers were going out of business and jobs and export earnings were being lost. At the same time the less developed countries offered little in return as consumer markets.

Mr Born said that producers' problems were being compounded by changes in materials use. Metals were being replaced by plastics, ceramics, composites, glass and optical fibres, while agriculture and composites were the wave of the future.

Despite this, the US Government's policy towards mining recently had been "one that at best can be described as benign neglect and at worst as conscious abandonment of the natural resource industries," he said.

Mining companies in the industrialised world should therefore compete only in areas where they could be low-cost producers or might have some other competitive advantage. "If neither is the case, we have to shut down," he said.

Those companies also had to reduce their exposure to extractive operations and increase their role in downstream products. "Where we can't compete with third world countries on a raw materials basis, as in the case of the copper deposits of the US, we should get out of the business," he declared.

The companies' aim should now be to move into "new procedures, technologies and even businesses." That meant extending the use of heap leaching and hydrometallurgy, becoming materials and product suppliers instead of commodity producers, and developing technology.

Talks may revive rubber pact hopes

BY WONG SULONG IN KUALA LUMPUR

THE 33 producer and consumer members of the International Natural Rubber Organisation (Inro) are expected to take the opportunity of a three-day Inro council meeting, starting here today, to explore the prospects for another round of negotiations on a new rubber agreement.

If both sides agree, the coming talks would be the fourth round—the third round having ended inconclusively in Geneva last month, with producers expressing frustration over new demands put forward by the consuming countries.

Mr Manaspas Xuto of Thailand, chairman of the rubber negotiations in Geneva, will be in the Malaysian capital to bring together the producers and consumers for informal discussions on the subject.

He is expected to be assisted by a senior official from the United Nations Committee on Trade and Development (Unctad), which is keen to bring about another round of negotiations and which has suggested dates from January to March next year.

Hopes that a fourth round of talks could be agreed in Kuala Lumpur were also boosted by the fact that senior delegates from both producing and consuming participants, in the Geneva talks, would be attending the Inro council meeting.

The current agreement will expire in October next year, after being extended for two years. If no agreement is reached, the 370,000 tonne rubber stockpile would have to be liquidated among Inro members, a prospect which producers want to avoid.

"We are interested to have a new rubber agreement, but not at any price," said a senior Mayalsian rubber official. He said the producers "had practically given up all their positions at Geneva," and the ball was now at the feet of the consumers.

Consumers have indicated that they are prepared to discuss the possibility of a new rubber agreement, but the Malaysian official said: "If they want to make major official changes to the agreement, we are not interested."

The main obstacle at the moment is the consumers' demand for major changes to article 32, governing the reference price. They want far reaching changes in the price adjustment mechanism, including a minimum 5 per cent automatic price revision whenever the market price during the six month period preceding a price review on average exceeded the trigger levels at which the bufferstock manager has to buy or sell.

Producers have agreed to leave the reference price of 201.66 Malaysian - Singapore cents a kilo unchanged. Originally, they wanted an upward revision of 25 cents.

Denmark set to curb farmers' use of nitrogen

By Hillary Barnes in Copenhagen

DENMARK is set to become the first European country to compel farmers to cut the use of artificial fertiliser in the cause of reducing environmental pollution.

The Folketing yesterday passed a resolution calling on the Government to present plans by February 1 for reducing the wash-out into Danish waters of nitrogenous wastes by half over the next three years and the wash-out of phosphorous wastes by 80 per cent over the same period.

One of the main features of the plans being considered by Mr Christian Christensen, the Minister for the Environment, is the reduction by a quarter, or 100,000 tonnes, of the use of nitrogen fertilisers by the farmers.

Following a breakdown in negotiations between the agricultural organisations and the minister this month on a scheme to control fertiliser use voluntarily, Mr Christensen has made it clear that compulsion will have to be used.

The resolution has come in response to the discovery of the deoxygenation of areas off the Danish coasts this autumn as a result of the growth of algae, which feed on nitrogen and phosphorous wastes.

The farmers are dismayed by the momentum which the political campaign against fertiliser use has gained this autumn.

They are already under financial pressure as a result of low world market food prices and measures being taken to curb the European food surplus.

"We feel like hunted animals," said Mr Joergen Laurent Vig, chairman of the Association of Pig Breeders, at the weekend. Farmers' organisations estimate that the proposed nitrogen cut will cause a production loss worth some Kr 600m (£55m). And there are fears that the indirect consequence could be even greater.

Some farm experts say that *limiting fertiliser use will not* necessarily stop the wash-out of wastes. If it means that farmers stop sowing winter corn, so that fields are left under plough throughout the winter, the wash-out of nitrogen wastes could actually increase, according to Mr Kaj Skrivert, a consultant at the National Office for Plant Breeding.

Canadian Mint updates Maple Leaf plant

By Bernard Simon in Ottawa

THE Canadian Mint hopes to become a force in the international collectors' coin market and to improve the competitiveness of the Maple Leaf gold coin as a result of an extensive renovation and expansion of its Ottawa manufacturing facility.

The C$27m (£13.6m) development which was formally inaugurated yesterday, includes the installation of a rolling mill and blanking machines, giving the Mint for the first time an integrated production line from precious metals refining to the striking of finished coins.

Blanks were previously bought from two precious metal refiners, Johnson Matthey and Englehard Corporation.

The Mint, set up in 1908 as a branch of Britain's Royal Mint to strike gold sovereigns from gold mined in the Yukon, is the world's third biggest gold refiner. Over 80 per cent of its C$350m in revenues last year came from exports.

The Canadians have also supplied circulation coinage to 35 countries in the past decade, including New Zealand, Mexico and Bangladesh.

The Mint plans to use these international contacts, the cost benefits of its new integrated production process, and the relatively weak Canadian dollar to gain a foothold in the numismatic coin market. It has already carried out extensive international market research for a series of coins to commemorate the Calgary 1988 Winter Olympics.

A Mint official said yesterday that savings on the new production facilities will enable it to expand the Maple Leaf promotion budget. The Maple Leaf has been the main beneficiary of the demise of the South African Krugerrand, with its share of the gold coin market rising from 35 per cent in 1984 to 85 per cent in the first half of this year.

The introduction of several competing coins and a general slowing of demand have dented sales in the last few months. Demand for Maple Leaf coins shot up from 1m ounces in 1984 to 1.9m ounces last year, but is expected to slip back to around 1.5m ounces this year. Sales of quarter-ounce and one-tenth-ounce coins have risen sharply in the past few weeks, however, to make up a shortfall in supplies of the new US Eagle coin.

LONDON MARKETS

AFTER MOVING higher in the morning London's coffee futures market resumed its recent slide in the afternoon, reflecting a weaker-than-expected opening on the New York market. The January position ended the day £28.50 down at £1,970.50 a tonne, taking the fall on the week so far to £74.50. This week's fall has taken the International Coffee Organisation's daily indicator price below the 145 cents a pound level which, if maintained on average for 15 days, would trigger consideration by the ICO Board of the re-imposition export quotas, suspended earlier this year following a sharp rise in price levels. The cocoa market also continued weak with the March futures position losing another £16 to £1,511.50 a tonne. Once again the trend was set in New York. The recent heavy fall in the gold price was halted but the price ended with only a very modest rally on the day of $0.125 following Monday's $17.75 fall.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	793.5-4	+0.25	
3 months	805.5-6	−0.75	812/805

Official closing (am): Cash 794-4.5 (795-5.5): three months 807.5-8 (805.5-6.5); settlement 794.5 (795.5). Final Kerb Close: 805-05.5. Turnover: 13,300 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	909.5-10	+2.75	906/907
3 months	933.5-4	+3	935/931

Official closing (am): Cash 907-7.5 (908.5-9); three months 932-2.5 (931-1.5); settlement 907.5 (909). Final Kerb Close: 934-4.5.

Standard			
Cash	887-90	+3	886.5/886.5
3 months	914-4.5	+3.75	

Official closing (am): Cash 886-6 (886.5-7); three months 911-3 (911-2.5); settlement 886 (887). US Producer prices 61.5/66.5 cents per pound. Total turnover: 22000 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	336.5-7	+2.25	—
3 months	329-9.5	+1	332/329

Official closing (am): Cash 337-8 (335-6): three months 329.5-30 (327.5-7.75): settlement 338 (336). Final Kerb Close: 330-30.5. Turnover: 2450 tonnes. US Spot: 24/27 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2565-85	+25	2565/2565
3 months	2595-600	+29	2600/2585

Official closing (am): Cash 2565-70 (2535-40): three months 2601-5 (2568-7): settlement 2570 (2540). Final Kerb Close: 2609-05. Turnover: 1380 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 15.95 (15.94) ringgit per kg. Up 0.1 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	572-2.5	−1	574/571
3 months	560-1	−3.75	566/560

Official closing (am): Cash 570-1 (576.5-7): three months 561-2 (563-4): settlement 571 (577). Final Kerb Close: 569.5-0. Turnover: 10,900 tonnes. US Prime Western: 44/50.75 cents per pound.

GOLD

Gold rose just $½ an ounce from Monday's close in the London bullion market yesterday to finish at $391-391½. The metal opened at $387¼-387¾ and traded between a high of $391½-391¾ and a low of $387.387½. Gold recovered from early levels helped *by a small recovery in platinum prices.* There was also some reaction after Monday's sharp decline to below $400.

GOLD BULLION (fine ounce) Nov. 18		
Close	$391-391½	(£274½-275)
Opening	$387¼-387¾	(£272¾-275¼)
M'n'g fix	$388.00	(£272.759)
Aft'n'n fix	$391.00	(£274.714)

GOLD AND PLATINUM COINS		
Am Eagle	$406-411	(£285-288½)
Mapleleaf	$401½-406	(£281¾-285)
Kr'g'rnd	$386-389	(£270¾-273)
½ Krug	$199½-200½	(£140-140¾)
¼ Krug	$101-108	(£70¾-71½)
Angel	$398-401	(£279¼-281½)
1/10 Angel	$40-43	(£28-30¼)
New Sov.	$90-93	(£63¼-65¼)
Old Sov.	$92½-94	(£65-66)
$20 Eagle	$475-515	(£333¼-361½)
Noble Plat	$500-510	(£350¾-357¾)

SILVER

Silver was fixed 4.3p an ounce lower for spot delivery in the London bullion market yesterday at 391.55p. US cent equivalents of the fixing levels were: spot 557c, down 8.65c; three-month 565.25c, down 8.65c; six-month 573.15c, down 8.95c; and 12-month 590.8c, down 8.85. The metal opened at 389½-391½p (553-555½c) and closed at 388-390p (553-555c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	391.55p	−4.30	389p	−3.5
3 months	402.30p	−4.5	400p	−2.5
6 months	412.95p	−4.40	—	—
12 months	434.90p	−4.25	—	—

LME—Turnover: 10 (41) lots of 10,000 oz.

Three months high 402p, low 398.5p, final kerb 399-401p.

SOYABEAN MEAL

Prices moved lower on professional selling with light speculative support evident. 1,000 June call options traded at £4 premium, otherwise volume was light, reports Muirpace.

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Dec.	151.0-155.5	−1.25	—
Feb.	155.0-155.7	−0.85	133.5
April	155.0-155.5	−0.75	133.5
June	129.5-150.5	−0.75	130.0
August	129.0-129.8	−0.50	—
October	150.0-151.5	−0.25	—
Dec.	151.0-154.0		—

Sales: 1,200 (100) lots of 20 tonnes.

RUBBER

PHYSICALS — The London market opened about unchanged, drifted lower throughout the day and closed easier, reports Lewis and Peat. Closing prices (buyers): Spot 63.50p (64.50); Dec 61.75p (62.75p), Jan 62.00p (63.00p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 218 (221) and SMR 20 198 (199).

FUTURES—Index 852, Dec 638-641, Jan-March 646-651, April-June 658-661, July-Sept 660-674. Sales: 0.

INDICES

REUTERS

Nov. 18	Nov. 17	M'th ago	Year ago
1610.7	1608.1	1568.3	1724.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 17	Nov. 14	M'th ago	Year ago
Spot	119.08	120.14	—	119.59
Fut	117.38	118.47	—	120.10

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 18 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1206/225	−10	$1280/300
Copper			
Cash Grade A	£909.75	+2.75	£927.5
3 mths	£933.75	+3	£951.75
Gold Troy oz	$391.25	+0.125	$425.25
Lead Cash	£336.75	+2.25	£306.5
3 mths	£329.25	+1	£305.5
Nickel			
Free Mkt	165/185c	+1	165/175c
Palladium oz	$116.75	−0.5	$137.25
Platinum oz	$489.00	−0.5	$600.00
Quicksilver†	$160/170		$160/170
Silver troy oz	391.55p	−4.30	403.40p
3 mths	402.30p	−4.30	414.35p
Tin			
free mkt	£4400/450	+50	£400/350
Tungsten	$46.98		$51.25
Wolfram 22.04lb	$32/42		$34/44
Zinc	£572.25	−1	£612.5
3 mths	£560.5	−3.75	£608.5
producers	$920		$920
OILS			
Coconut (Phil)	$370z		$395
Palm Malayan	$310u	−5	$310
Copra (Phil)	$250y	+30	$200
Soyabean (U.S.)	$152y	−1	$153
GRAINS			
Barley Fut. Jan.	£111.85	−0.15	£111.30
Maize	£145.00	−0.5	£145.00
Wheat Fut. Jan.	£110.65	−0.35	£110.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1511.5	−16	£1530.5
Coffee Ft. Jan.	£1970.5	−20	£2199
Cotton A Ind.*	52.85c	−0.20	52.15c
Gas Oil Jan.	$154.25	−1.25	$150.75
Rubber (kilo)	63.5p	−1	67.25p
Sugar (raw)	$147.5z	+1	$138.5
Wooltops 64s	423p kilo		187p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. v Dec. x Jan-Feb. z Dec-Jan. u Jan.

COFFEE

Further liquidation met scale-down trade buying in good volume, reports Drexel Burnham Lambert. In another highly volatile trading day, prices opened higher than expected, finding short-covering from Monday. After gains of up to £47 the bear mood of the market took over again and by mid-afternoon, aided by an increasingly weaker New York market, London lost up to £105 from the highs. Further light short-covering on the close pushed levels higher.

COFFEE	Yesterday close	+ or −	Business Done
Nov	2020-25	−18.5	2030-2000
Jan	1970-71	−28.5	2045-1940
Mar	1920-25	−20.5	1990-1890
May	1920-25	−30.0	2005-1920
July	1950-70	−20.0	2020-1945
Sept	1960-80	−30.0	2005-1980
Nov	1950-20	−25.0	2015-05

Sales: 9,454 (5,781) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for November 17: Comp. daily 1979 139.41 (146.47): 15-day average 155.01 (157.61).

COCOA

Futures showed resistance to opening at the lower levels due but drifted down under pressure from trade selling towards the end of a quiet session. Actuals attracted little interest from either producers or industry, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Dec	1480-1481	−14.0	1486-1469
March	1511-1512	−16.0	1523-1509
May	1536-1537	−12.5	1546-1535
July	1558-1559	−10.5	1567-1555
Sept.	1578-1580	−11.5	1587-1575
Dec.	1608-1610	−10.5	1617-1608
March	1636-1638	−10.0	1644-1645

Sales: 2,410 (2,003) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 18: 93.33 (94.76): five-day average for November 19: 93.37 (92.96).

POTATOES

Following Monday night's strong close and a firmer Dutch market trading DFl0.5 up, London opened firmer at £154 with nervous shorts covering positions. Trade was brisk on the opening but the market found selling pressure at £156.50. Little interest was seen in the afternoon apart from heavy selling pressure at £156.00, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	112.50	111.00	—
Apr	155.70	152.90	156.50-154.00
May	175.90	173.00	175.50-175.00
Nov	86.00	86.00	—
Feb	101.50	100.00	—

Sales: 1,006 (1,172) lots of 40 tonnes.

GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: Dec 107.25, Jan 109.75, Feb 110.00. US No 2 Soft Red Winter: Jan 108.50, Feb 110.25. French 11½-12 per cent: Dec 140.50. English feed, fob: Nov 111.50-112.00, Dec 113.00-113.50, Jan/March 116.00-116.50, April/June 118.75-119.00 buyer/sellers East Coast. Maize: US No 3 Yellow/French, transhipment East Coast: Dec 143.00. Barley: English feed, fob: Nov 112.25 buyer Scottish, Jan/March 115.50-116.50 buyer/sellers English/Scottish.

WHEAT Mnth	Yesterday's close	+ or −	BARLEY Yest'rdy's close	+ or −
Nov	108.20	−0.15	109.30	−0.35
Jan	110.65	−0.30	111.85	−0.15
Mar	113.60	−0.35	113.95	−0.25
May	115.80	−0.55	115.20	—
July	117.50	−0.15	—	—
Sep	101.60	−0.15	101.60	−0.15
Nov	103.75	−0.05	101.80	−2.50

Business done—Wheat: Nov 108.25-8.10, Jan 110.95-10.00, Mar 113.90-3.60, May 116.15-5.80, July 117.50, Sept 101.55-1.50, Nov 103.75. Sales: 284 lots of 100 tonnes. Barley: Nov 109.50-9.30, Jan 112.00-1.85, Mar 113.95, May untraded, Sept 101.60-1.50, Nov 104.10-1.80. Sales: 61 lots of 100 tonnes.

Old crops, after early trades at unchanged levels, eased on shipper selling, but short-covering kept November steady. New crops eased on country hedge selling, reports T. G. Roddick.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: W. Mids 108.40, N. West 108.90. The UK monetary coefficient for the week begining Monday November 24 (based on HGCA calculations using five days' exchange rates) is expected to change to 1.259.

US MARKETS

AGAINST A background of another dramatic drop in stock index values, New York gold futures managed to post gains of over $5 in the December position as the technical weakness of the market since the end of last week encountered good support after Far Eastern and European spot markets had approached key areas around $385 per ounce, reports Heinold. Dealers noted some switching out of the December position ahead of the first notice day later in the month. Rumours, still unsubstantiated at the close, that the IBC president had left his post accelerated another weak day on the coffee market, with December values hitting new lows at 142.50c per pound as stops were activated around 145.00c. However, short-covering and rumoured trade support rallied the market. Dealers were still reporting a very nervous atmosphere in what remained a thin market. Crude oil prices faltered a little, with December delivery prices slipping over 20c at one point before finding good speculative support, which saw values recover to $15.60 towards the close.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	48.85	—	—	49.15
Dec	49.10	49.40	49.00	49.40
Jan	49.20	—	—	49.50
March	49.90	50.20	50.00	50.20
May	50.30	—	—	50.60
July	50.65	—	—	50.95
Sept	50.85	—	—	51.15
Dec	50.95	—	—	51.25
Jan	51.15	—	—	51.45
March	51.25	—	—	51.55

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	1881	1915	1879	1907
March	1937	1968	1936	1964
May	1972	2004	1970	1997
July	1988	2020	1985	2021
Sept	2015	2025	2015	2043
Dec	2036	2051	2047	2064
March	2056	2080	2080	2084

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Dec	15.58	15.59	15.40	15.62
Jan	15.65	25.69	15.42	15.63
Feb	15.62	15.65	15.45	15.60
March	15.51	15.53	15.40	15.52
April	15.44	15.45	15.35	15.47
May	15.36	15.42	15.32	15.43
June	15.38	15.42	15.33	15.40
July	15.30	15.38	15.30	15.38
Aug	15.31	—	—	15.36

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	47.87	48.45	47.58	47.40
March	48.26	48.70	48.00	47.72
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	—	—	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	—	—	[illegible]
Aug	[illegible]	—	—	[illegible]
Sept	[illegible]	—	—	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	—	—	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	123.00	123.30	122.50	122.20
March	123.05	123.45	122.60	122.80
May	123.20	123.70	123.00	122.90
July	122.70	—	—	122.50
Sept	122.95	—	—	122.50
Jan	122.95	—	—	122.60
March	122.50	—	—	122.50

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	147.88	150.75	142.50	147.97
March	150.89	154.75	137.05	150.32
May	152.25	155.00	149.31	153.31
July	152.75	158.00	150.98	154.98
Sept	154.38	—	152.00	156.00
Dec	155.00	168.00	152.50	156.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	58.35	—	—	58.35
Dec	58.45	58.50	58.30	58.45
Jan	58.65	58.60	58.55	58.55
March	59.20	59.25	59.05	59.15
May	59.80	59.80	59.65	59.80
July	60.20	60.20	60.00	60.15
Sept	60.50	60.45	60.30	60.45
Dec	61.10	61.05	60.80	60.95
Jan	61.25	—	—	61.10
March	61.60	61.50	61.50	61.45

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	555.5	556.8	555.8	550.4
Dec	556.5	558.0	552.0	551.5
Jan	559.3	560.5	557.0	554.2
March	564.4	565.0	560.0	559.2
May	569.7	571.5	565.5	564.4
July	575.3	576.5	571.0	569.9
Sept	581.2	580.0	580.0	575.7
Dec	590.2	592.0	587.0	584.7
Jan	593.4	—	—	588.0
March	599.7	602.0	597.0	594.4

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	6.18	6.03	6.03	6.05
March	6.69	6.71	6.60	6.57
May	6.82	6.85	6.75	6.75
July	6.96	6.95	6.86	6.83
Sept	7.03	—	—	6.91
Oct	7.11	7.11	7.04	7.00
Jan	7.38	—	—	7.25

CHICAGO

LIVE CATTLE 40,00 lb, Cents/lb

	Close	High	Low	Prev
Dec	61.00	61.05	60.10	60.62
Feb	58.22	58.27	57.36	58.12
April	58.65	58.70	58.30	58.70
June	57.65	57.75	57.35	57.72
August	56.40	56.50	55.95	56.42

LIVE HOGS 30,000 lb, Cents/lb

	Close	High	Low	Prev
Dec	54.52	54.62	53.10	53.65
Feb	50.90	51.05	49.40	49.95
April	4.55	44.80	43.60	44.12
June	46.52	46.80	46.00	46.37
July	46.20	46.35	45.75	46.00
August	44.42	44.90	44.15	44.15
Oct	41.50	41.70	41.25	41.30
Dec	41.80	—	—	41.65

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	157.6	168.6	167.0	168.5
March	178.2	178.6	177.2	178.4
May	184.2	184.6	183.4	185.0
July	187.0	187.0	186.0	188.6
Sept	188.2	189.0	188.0	188.6
Dec	192.4	202.6	191.4	192.6
March	199.6	—	198.2	200.0

PORK BELLIES 38,00 lb, Cents/lb

	Close	High	Low	Prev
Feb	69.85	69.85	57.85	67.85
March	68.75	68.75	66.40	66.75
May	68.07	68.07	65.90	66.07
July	67.02	67.15	65.15	65.15
August	64.47	64.55	62.85	62.65

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Nov	494.60	501.0	492.0	500.0
Jan	497.4	498.2	494.4	495.8
March	501.2	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 13.00 (same) cents per pound. Handy and Harman silver bullion 564.5 (562.0) cents per troy ounce.

OIL

Dated North Sea crudes remained strong, commanding $15 a barrel or more. Fifteen-day Brent trading was thin with all months talking within a 15c price range. December WTI opened 22c down on Nymex and recovered slightly to trade only 10c down at 1.30 pm EST. In the petroleum products market prompt gasoil and gasoline remained stable in thin trade. Naphtha firmed on bullish sentiment and tight prompt availability. Fuel oil remained firm in tight, but little was traded—Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—Dec.	Latest	Change + or −
Arab Light	—	
Arab Heavy	—	
Dubai	14.05-14.15	[illegible]
Brent Blend	15.15-15.25	[illegible]
W.T.I. (1 pm est)	15.50-15.60	[illegible]
Forcados (Nigeria)	—	
Urals (cif NWE)	—	

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	147-151	
Gas Oil	126-127	
Heavy fuel oil	77-79	
Naphtha	130-133	+4

GAS OIL FUTURES

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec	150.25	[illegible]	[illegible]
Jan	154.25	[illegible]	[illegible]
Feb	153.75	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover: 1,630 (2,466) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec	80.00	−1.00	—
Jan	83.50	−0.50	82.50
Feb	85.00	−0.50	—

Turnover: 1 (21) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or −	Business Done
Dec	151.00	−3.50	—
Jan	—		
Feb	—		

Turnover: 0 (0) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 92.30p per kg lw (−1.01). GB—Sheep 170.19p per kg est dcw (+3.48). GB—Pigs 77.28p per kg lw (−0.15).

FUTURES—Live cattle: Nov 96.30, sales 15.

SUGAR

PARIS—(FFr per tonne): Dec 1214-1215, March 1240-1244, May 1260-1265, Aug 1310-1315, Oct 1345-1365, Dec 1360-1405.

No. 6 Con-tract	Yest'rdy's 7.10 pm	Previous close	Business done
	$ per tonne		
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

LONDON DAILY PRICE—Raw sugar $147.50 (£103.50), up $1.00 (up £1.00) a tonne for January-January delivery. White sugar $180.00, down $2.0.

Sales: 1,635 (1,655) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £205.50 (£205.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean port.) Prices for November 17: Daily price 5.77 (5.76); 15-day average 5.96 (5.95).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	737.5/735	731/735	[illegible]
April	776/770	768/763	770/76
July	676/675	679/674	684/80
Oct.	776/775	[illegible]	[illegible]
Jan.	778/775	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
Jul.	745/760	760	[illegible]
BFI.	778		779

Turnover: 273.

	Close	High/Low	Prev.
Tankers			
Nov.	880/910	910	940/955
Dec.	1050/1080		[illegible]
Jan.	1050/1075		[illegible]
Mar.	1050/1080		[illegible]
BFI.	910.5		915

Turnover: 10.

JUTE

JUTE—Nov/Dec 1986, c and f Dundee: BTC $345, BWC $345, BTD $315, BWD $315; c and f Antwerp: BTC $325, BWC $326, BWD $285, BTD $295.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar nervous ahead of GNP

THE DOLLAR surrendered early gains in nervous trading ahead of today's release of US third-quarter GNP revisions. Expectations of a 2.6 per cent increase compared with a previous 2.4 per cent encouraged traders to cover short positions during the morning. However, this appeared to be the extent of the dollar's advance and its failure to hold above the DM 2.02 level prompted renewed selling in the afternoon.

There appeared to be little depth to the dollar's early rally with the market still concerned about the size of the US trade deficit and budget deficit. In addition both Japan and West Germany continued to show healthy trade surpluses and this appeared to be psychologically important even though a majority of US imports do not come from those two countries. Today's closure of West German centres and a decision by the Bundesbank not to hold a press conference after tomorrow's meeting of the central council also affected dollar sentiment.

The dollar touched a high of DM 2.0235 but came back to finish at DM 2.0125 compared with DM 2.0130 on Monday. Against the yen it was also little changed at Y162.70 from Y162.75. Elsewhere it closed at SFr 1.6740, unchanged, and FFr 6.58 from FFr 6.5925. On Bank of England figures, the dollar's exchange rate index was unchanged at 111.2.

STERLING—Trading range against the dollar in 1986 is 1.5553 to 1.3700. October average 1.4276. Exchange rate index 68.2, unchanged from the opening but down from 68.5 on Monday. The six months ago figure was 76.0.

Sterling opened on a weaker note against the dollar but the latter's early strength meant that the pound showed little overall change against most European currencies. However, it failed to make much headway during the day and closed weaker from Monday but little changed from the opening.

News of a £9m PSBR figure for October was much in line with expectations while tomorrow's UK money supply figures were regarded as important but difficult to interpret due to a change in the accounting period. The pound closed at $1.4225 down from $1.4285 and DM 2.8650 from DM 2.8750. Against the yen it eased to Y231.50 from Y232.50 and SFr 2.3825 compared with SFr 2.3925. Against the French franc it closed at FFr 9.38 from FFr 9.4175.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. October average 2.0032. Exchange rate index 142.6 against 134.9 six months ago.

The D-Mark recouped earlier losses against the dollar as demand for the US unit waned ahead of today's third quarter US GNP revision. Early demand on expectations of an upward revision saw the dollar fixed at DM 2.0198 up from DM 2.0096 and there was no intervention by the Bundesbank. The dollar touched a high of DM 2.0235 but with dealers squaring off ahead of the announcement so demand dried up and the dollar eased back to close at DM 2.0155, unchanged from Monday's close. Sentiment was also influenced by the Bundesbank's announcement not to hold a press conference after today's meeting of the central council.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 153.35. October average 154.36. Exchange rate index 205.4 against 206.9 six months ago.

Trading was confined to a narrow range in Tokyo with the yen showing little movement against the US dollar as speculators awaited today's release of revised third quarter US GNP figures. The dollar closed at Y162.65 down from Y162.95 in New York and compared with Y162.50 in Tokyo on Monday. Elsewhere the D-Mark fell to Y80.76 from Y81.03.

£ IN NEW YORK

Nov 18	Latest	Previous Close
£ Spot	1.4210-1.4220	1.4225-1.4235
1 month	0.56-0.53 pm	0.57-0.56 pm
3 months	1.79-1.74 pm	1.78-1.77 pm
12 months	6.35-6.25 pm	6.40-6.33 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Nov. 18	Previous
8.30 am	68.2	68.4
9.00 am	68.2	68.5
10.00 am	68.2	68.4
11.00 am	68.3	68.4
Noon	68.3	68.4
1.00 pm	68.3	68.4
2.00 pm	68.3	68.4
3.00 pm	68.2	68.4
4.00 pm	68.2	68.5

CURRENCY RATES

Nov. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	5.5	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	8	[illegible]	[illegible]
Danish Krone	7	[illegible]	[illegible]
Deutsche Mark	3½	[illegible]	[illegible]
Neth. Guilder	4½	[illegible]	[illegible]
French Franc	9½	[illegible]	[illegible]
Italian Lira	12	[illegible]	[illegible]
Japanese Yen	3	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	4	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Nov. 17: 1.46509

CURRENCY MOVEMENTS

November 18	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.2	[illegible]
U.S. Dollar	111.2	[illegible]
Canadian Dollar	[illegible]	[illegible]
Austrian Schilling	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Nov. 18	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 60.00-60.10. Six-month forward dollar 3.51-3.47 c pm. 12-month 6.47-6.37 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EURO-CURRENCY INTEREST RATES

Nov. 18	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov 18	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

PSBR fails to lift gilts

LONG-TERM gilt futures weakened on the London International Financial Futures Exchange yesterday. Forecasts for the October UK public sector borrowing requirement varied widely from about £750m to a net repayment of £500m, and although the PSBR figure of £9m was generally considered encouraging, the market appeared to be a little disappointed. This may have reflected the fact that Government borrowing is on target only because of high levels of Government tax revenue caused by consumer spending. Longer term cash prices fell by about ½ point, and futures prices also declined.

The weakness of sterling in early foreign exchange trading, led to a fall to 107-27 in long-term gilt futures for December delivery at yesterday's opening. But this was still fairly near the day's peak of 107-29. The contract fell to a low of 107-20 and closed at 107-23, compared with 108-08 on Monday.

Volume of 12,576 for the December contract was regarded as fairly high, given the rather narrow range of trading, with dealers suggesting that last month's Big Bang in the City had underpinned the level of trading.

December three-month sterling deposits also reacted to sterling's fall, opening weak at 88.71. The contract also closed at that level, around the middle of the day's range of 88.67 to 88.74, and compared with Monday's close of 88.80.

US Treasury bond futures were firmer on the day, but closed well below the strong opening of 98.30, after Chicago opened slightly lower. Apart from a technical downward correction, after recent gains, there was also evidence of position squaring ahead of today's revised figure on US third quarter gross national product growth. December US bonds closed at 98-24 on Liffe, compared with the previous settlement of 98-06.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	1.50	3.29	0.04	1.37
108	0.25	2.23	0.43	2.31
110	0.01	1.34	2.19	3.42
112	0.00	0.60	4.18	5.04
114	0.00	0.34	6.18	6.42
116	0.00	0.19	8.18	8.27
118	0.00	0.10	10.18	10.18
120	0.00	0.05	12.18	12.13

Estimated volume total, Calls 405 Puts 801
Previous day's open int. Calls 25,472 Puts 8,224

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last June	Puts—Last March	Puts—Last June
88	10.11	—	0.09	—
90	8.21	8.07	0.19	0.63
92	6.40	6.39	0.38	1.31
94	5.05	5.18	1.03	2.10
96	3.47	4.09	1.45	3.01
98	2.41	3.10	2.39	4.02
100	1.50	2.23	3.48	5.15
102	1.10	1.46	5.08	6.38

Estimated volume total, Calls 15 Puts 2
Previous day's open int. Calls 231 Puts 240

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
15500	—	7.52	—	0.62
15750	4.41	5.57	0.01	1.17
16000	2.10	3.92	0.20	2.02
16250	0.57	2.60	1.17	3.20
16500	0.07	1.62	3.17	4.72
16750	0.00	0.95	5.60	6.55
17000	0.00	0.51	8.10	8.61
17250	0.00	0.26	10.60	10.86

Estimated volume total, Calls 40, Puts 32
Previous day's open int. Calls 559, Puts 510

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls—Last Dec.	Mar.	Jun.	Sep.	Puts—Last Dec.	Mar.	Jun.	Sep.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 195 Puts 0
Previous day's open int. Calls 2,634 Puts 2,933

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	[illegible]
[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	[illegible]
[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

Strike Price	[illegible]
[illegible]	[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT — £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 12,650 (9,432)
Previous day's open int. 17,713 (18,786)

20% NOTIONAL SHORT GILT — £100,000 64ths of 100%

THREE-MONTH STERLING — £500,000 points of 100%

US TREASURY BONDS 8% — $100,000 32nds of 100%

FT-SE 100 INDEX — £25 per full index point

THREE-MONTH EURODOLLAR — $1m points of 100%

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING $ per £

LIFFE—STERLING £25,000 $ per £

[illegible]
[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) — $1m points of 100%

SWISS FRANC (IMM) — SFr125,000 $ per SFr

JAPANESE YEN (IMM) — Y12.5m $ per Y100

DEUTSCHE MARK (IMM) — DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) — $1m points of 100%

STANDARD & POORS 500 INDEX — $500 times index

[illegible]
[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 86 Vol.	Last	Feb. 87 Vol.	Last	May 87 Vol.	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 27,148

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
[illegible]	[illegible]

MONEY MARKETS

London remains quiet and steady

INTEREST RATES showed little change on the London money market yesterday. Three-month interbank closed at 11¼-11$\frac{3}{16}$ per cent, compared with 11¼-11⅛ per cent on Monday. It touched a peak of 11⅜-11¼ per cent in early trading, as sterling opened weaker on the foreign exchanges, but generally traded at 11$\frac{5}{16}$-11$\frac{3}{16}$ per cent, before easing slightly towards the close.

UK clearing bank base lending rate 11 per cent since October 15

There was virtually no reaction to the encouraging UK public sector borrowing requirement of £9m in October, with dealers not seeing it as an indication of an early cut clearing bank base rates. At the same time fear of a rise in base rates have tended to recede, against a background of speculation about a general election, possibly in the early part of next year.

The Bank of England initially forecast a market shortage of £200m, but revised this to £300m at noon, and to £250m in the afternoon. Total help of £288m was provided.

Before lunch the authorities bought £258m bank bills in bank 4 at 10$\frac{15}{16}$ per cent. No bills were bought by the central bank in the afternoon, but late assistance of around £30m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drains £314m, with bank balances below target absorbing £120m. These outweighed Exchequer transactions adding £215m to liquidity and a fall in the note circulation of £40m.

In Frankfurt call money eased to 4.40 per cent from 4.45 per cent, bringing the rate into line with that paid at the West German Bundesbank's securities repurchase agreement tender. Bidds at the tender totalled DM 17.4bn, and the Bundesbank allocated DM 3.5bn at 4.40 per cent, compared with a minimum bid level set by the central bank of 4.30 per cent. Banks will receive the funds tomorrow, because today is a public holiday in West Germany. The agreement will run for 27 days.

No change is expected in credit policies at this week's meeting of the Bundesbank council, which takes place tomorrow. There will not be a press conference after the regular fortnightly meeting, taking place in Frankfurt, with Bundesbank president Mr Karl Otto Poehl as chairman.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.18) 3 months U.S. dollars / 6 months U.S. dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed. funds	[illegible]	Three month	[illegible]
Fed. funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Four year	[illegible]
		Five year	[illegible]
		Seven year	[illegible]
		10 year	[illegible]
		30 year	[illegible]

Nov. 18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Nov. 18	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or –	Int. Yield	Red. Yield
102	100	Exch. 13½pc 1987	100	+	13.22	11.06
100	97	Treas 10½pcCv '87	99	–	10.28	11.10
98	92	Exch 2½pc 1987	98	.....	2.54	7.94
101	97	Exch. 10½pc 1987	99	.....	10.53	11.17
98	93	Funding 6½pc 85-87	98	+	6.60	10.11
101	96	Treas. 10pc 1987	99	–	10.06	11.22
97	90	Treas 3pc 1987	96	.....	3.10	8.41
104	99	Treas. 12pc 1987	100	.....	11.90	11.06
99	92	Treas 7¾pc 1985-88‡‡	97	+	7.99	10.43
104	96	Exch 10½pc '88	99	–	10.60	11.23
102	95	Treas 9¾pc Cv '88	97	–	9.98	11.28
94	86	Transport 3pc '78-88	91	.....	3.27	8.57
102	93	Treas. 9½pc '88	96	–	9.80	11.29
107	98	Treas 11½pc 1989	100	–	11.47	11.32
103	93	Treas 9½pc Cnv 1989	96	–	9.87	11.32
92	82	Treas 3pc 1989	87	+	3.41	8.52
105	95	Treas 10½pc 1989	98	–	10.69	11.24
104	94	Exch.10pc 1989	96	–	10.33	11.37
107	97	Exch 11pc 1989	99	–	11.09	11.32
93	84	Treas 5pc 1986-89	88	+	5.66	9.68
110	94	Exch 10¼pcCv '89	99	.....	10.29	10.40
114	103	Treas 13pc 1990‡‡	104	–	12.48	11.36
108	97	Exch 11pc 1990‡‡	99	–	11.10	11.31
113	101	Exch. 12¼pc 1990	103	–	12.11	11.35
89	79	Treas. 3pc 1990	83	.....	3.59	8.56
100	89	Treas 8¼pc 1987-90‡‡	93	.....	8.85	10.61
106	93	Treas. 10pcCv 1990	95	–	10.45	11.38
86	76	Exch 2½pc 1990	80	–	3.12	8.44
112	99	Treas 11¾pc 1991	101	–	11.63	11.39
94	83	Funding 5¾pc '87-91‡‡	86	+	6.61	9.40
86	79	Treas. 3pc 1991●	79	.....	3.76	8.54
41	39	Treas 10pcCv'91(£40pd)	39	–	10.39	11.03
110	96	Exch. 11pc 1991	98	–	11.13	11.29

Five to Fifteen Years

1986 High	Low	Stock	Price £	+ or –	Int. Yield	Red. Yield
118	105	Treas 12¾pc 1992‡‡	104	–	12.16	11.44
107	92	Treas 10pc 1992	94	–	10.58	11.39
109	94	Treas 10½pc Cv 1992‡‡	96	–	10.87	11.37
117	101	Exch. 12¼pc '92	103	–	11.89	11.50
123	106	Exch 13½pc 1992	108	–	12.50	11.56
108	93	Treas 10pc 1993‡‡	93	–	10.65	11.24
120	103	Treas 12½pc 1993‡‡	104	–	11.95	11.47
92	78	Funding 6pc 1993‡‡	83	+	7.23	9.43
128	109	Treas 13¾pc 1993‡‡	110	–	12.47	11.58
133	114	Treas 14½pc 1994‡‡	114	–	12.65	11.47
127	108	Exch 13½pc 1994	109	+	12.53	11.56
122	103	Exch. 12½pc 1994	104	–	11.96	11.59
104	86	Treas 9pc 1994‡‡	88	–	10.17	11.22
120	101	Treas 12pc 1995	102	–	11.76	11.58
79	68	Exch 3pc Gas 90-95	73	–	4.10	7.32
110	92	Exch. 10¼pc 1995	93	–	10.97	11.45
126	106	Treas 12¾pc 1995‡‡	107	–	11.91	11.47
133	113	Treas. 14pc '96	113	–	12.36	11.52
103	86	Treas 9pc 1992-96‡‡	87	–	10.25	11.13
142	120	Treas 15¼pc 1996‡‡	120	–	12.64	11.59
130	110	Exch 13¼pc 1996‡‡	110	–	12.01	11.45
84	74	Redemption 3pc 1986-96	78	+	3.83	5.96
106	91	Conversion 10pc 1996	91	–	10.88	11.41
131	110	Treas 13¼pc 1997‡‡	110	–	11.98	11.44
112	94	Exch 10½pc 1997	94	–	11.08	11.36
101	84	Treas 8¾pc 1997‡‡	85	–	10.26	11.11
143	120	Exch 15pc 1997	120	–	12.45	11.64
107	89	Exch. 9¾pc 1998	90	–	10.77	11.28
88	72	Treas 6¾pc 1995-98‡‡	73	–	9.14	10.78
148	125	Treas. 15½pc '98‡‡	125	–	12.36	11.51
124	103	Exch. 12pc 1998	104	–	11.51	11.34
107	89	Treas 9½pc 1999‡‡	89	–	10.58	11.04
126	105	Exch. 12¼pc 1999	106	–	11.54	11.31
114	94	Treas. 10½pc 1999	95	–	10.97	11.15
112	93	Conversion 10¼pc 1999	94	–	10.90	11.14
103	86	Conversion 9pc 2000‡‡	86	–	10.40	10.98
133	111	Treas. 13pc 2000	111	–	11.65	11.30
111	92	Treas 10pc 2001	92	–	10.76	10.98
137	115	Treas. 14pc '98-01	115	–	12.11	11.53
109	90	Conversion 9¾pc 2001	91	–	10.68	10.95

Over Fifteen Years

1986 High	Low	Stock	Price £	+ or –	Int. Yield	Red. Yield
124	103	Exch. 12pc '99-02	104	–	11.52	11.34
111	92	Conversion 10pc 2002	93	–	10.73	10.92
109	90	Treas 9¾pc 2002	91	–	10.68	10.91
139	116	Treas. 13¾pc 2000-03	116	–	11.80	11.33
112	93	Treas 10pc 2003	93	–	10.71	10.85
123	102	Treas. 11½pc 2001-04	102	–	11.18	11.14
112	92	Treas. 10pc 2004	93	–	10.70	10.85
60	49	Funding 3½pc '99-04	49	–	7.12	9.44
108	88	Conversion 9½pc 2004	89	–	10.61	10.85
108	89	Conversion 9½pc 2005	89	–	10.58	10.79
117	97	Exch 10½pc 2005	97	–	10.76	10.79
133	111	Treas. 12½pc 2003-05	111	–	11.18	10.96
95	78	Treas. 8pc 2002-06‡‡	78	–	10.21	10.63
107	91	Conversion 9¾pc 2006	91	–	10.62	10.75
126	105	Treas. 11¾pc 2003-07	105	–	11.11	10.96

Undated

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INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	♦Metsec 10p	76	.....	L2.46	2.6	4.6	11.7
78½	45	Mitchell Cotts	58	.....	1.5	2.1	3.6	14.9
124	81	♦Molins & Crane 10p	118	.....	L2.7	2.9	3.2	14.4
323	210	Morgan Crucible	315xd	.....	10.5	1.5	3.8	20.9
23½	15½	♦Morris (W) F.A. 20p	16½	.....	—	—	—	—
157	65	Myson Grp 10p	157	+1	12.63	2.6	2.4	20.9
365	230	♦NMW Computers	258	–2	16.0	3.0	3.3	14.8
96	27	Nash Inds.	85	–1	10.5	—	0.8	—
27½	12½	Neil & Spencer 10p	13	–½	—	—	—	—
39	28	Newman Inds 10p	36½	–½	10.8	1.5	3.1	27.9
134	65	Noble & Lund 10p	98	.....	0.7	4.3	1.0	32.3
65	39	Nolton	51	.....	1.2	♦	3.4	♦
250	96	♦Norank Systems 5p	199	.....	u1.5	—	1.5	17.8
286	187	Nortros	251	.....	9.3	2.2	5.2	12.0
195	49	Nu-Swift 5p	192	+1	13.5	2.1	2.6	25.8
£356½	£228	OCE 9pc Cnv 1987-92	£304½	.....	Q9%	—	•	—
118	80	Oakwood Grp	90	.....	u5.0	1.3	3	22.5
250	178	Office & Elect	178	–5	8.5	2.9	6.7	7.3
183	70	Oldacre 20p	175	.....	♦5.0	♦	4.3	♦
34	26	♦Omnitech 1p	31	.....	—	—	—	—
36	18	♦Optometrics $0.01	20	.....	—	—	—	—
890	500	Ordinance £1	848	.....	—	—	—	—
10	5	Ovenstone 12½c	7	.....	124.9	2.1	4.0	16.7
142	85	♦PCT Grp 10p	113	.....	u01.23c	1.9	14.3	3.7
£20½	£13¾	PLM 'B' Sk 25	£18	+¼	41.2	—	5.8	—
195	114	PSM Intl	195	.....	Q23.2%	0.3	3.4	—
255	160	♦Pacer Systems $0.01	185	.....	4d5.5	2.1	4.1	14.4
78	50	♦Pacific Sales 10p	51	.....	LH0.36	3.4	1.4	20.6
445	246	Parker Knoll 'A'	422	–5	3.0	1.4	8.3	12.2
222	83	♦Parkfield Group 2p	207	–3	12.0	3.2	4.0	11.1
53	17	♦Pavigo Intl	23½	+½	3.6	4.2	2.4	13.2
£130	£64½	Do 11pc CvLn '94-02	£74½	.....	—	—	—	6.2
608	393	Pearson	576	–11	Q11%	—	15.1	—
50	12	Peek Holdings 5p	42½	–2	110.0	2.8	2.4	18.7

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NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 42
(International Edition Page 40)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 10	Nov 20	Nov 21	Dec 1
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5

*New time dealings may take place from 9.00 am two business days earlier.

Nervous selling of equities continues as gilts also turn downwards

Another nervous session in the UK securities markets saw equities again shying away from its fears that the Boesky affair might prompt a sell-off on Wall Street, and Government bonds looking unsettled by a dull performance by the pound. Losses were modest in both sectors, but share prices ended at the day's lows despite a steadier close in gilt-edged securities.

Equities opened sharply lower, responding to reports of selling pressure at the close on Wall Street. The absence of firm news from the Opec pricing meeting fuelled bearish comments from oil industry analysts, and British Petroleum and Britoil shaded lower. Imperial Chemical Industries saw some selling again, but Glaxo Holdings were a steadier market.

The equity market tried to rally but grew increasingly nervous ahead of Wall Street's opening. With the New York market easier in early trading, London stocks returned to their lowest levels of the session.

The FT-SE index lost 11.1 to 1,617.5, and the FT Ordinary index 6.9 to 1,271.6.

Heavy trading in Hanson Trust (22m shares) was fuelled partly by activity in traded options in the stock. Several marketmakers in Hanson were offering to trade in large-sized bargains, as London continued to respond to substantial trading interest from the US.

The gilt-edged market ended with losses of ⅛ or so, steadying in late trading when the pound came off its day's low. The FT Government securities index eased 0.11 to 81.32.

In early trading, yields on long-dated bonds moved perilously close to the 11 per cent mark which provided a floor for the market in last week's selling bout. Yields of 11⅛ per cent were offered on seven year bonds.

Nervousness over inflation has sent investors hurrying towards the index-linked stocks. The authorities took the opportunity yesterday to issue to the Bank of England £100m of index-linked issues, maturing in 2001 and 2020.

However, conventional gilts were helped by a favourable response to the announcement that UK Public Sector Borrowing Requirement stood at £90m last month, which was less daunting than feared. A major hurdle comes with today's (Wednesday) release of the latest official estimates of US gross national product.

An active feature in the equity market was Mercury International as Saul Steinberg made good on his promise to increase his holding in the major British securities firm.

Mercury Int. good

Mercury International dominated proceedings in the banking sector, jumping 21 to 411p, after 415p, as US arbitrageur Mr Saul Steinberg increased his stake in the UK merchant banking conglomerate to well over 12 per cent by the purchase of 3½m shares at 415p; just over three weeks ago, Saul Steinberg announced that he intended to seek greater control of Mercury by raising his shareholding to more than 15 per cent. Morgan Grenfell's recent recovery was halted as talk of a possible merger with Exco induced selling of the shares which closed 14 down at 418p. Lloyds rose 7 to 425p following lunch with brokers Hoare Govett. Other clearers drifted gently lower for want of support. Barclays relinquished a few pence at 470p as did Midland, at 565p.

Against the dull trend in Insurances, Equity and Law rose 5 to 297p in response to revived speculative support. Composites gave ground throughout with General Accident notable for a fall of 13 at 810p.

Breweries were irregular. Leading concerns drifted lower for want of attention, although Whitbread A hardened a penny to 270p awaiting today's half-timer. Guinness fell 5 for a two-day decline of 14 to 329p amid talk that Kleinwort Grieveson are preparing a bearish circular on the company. Regionals, in contrast, attracted revived takeover speculation, although gains were again sometimes exaggerated by stock shortage. Dorset-based Eldridge Pope came to the fore and advanced 13 to 430p, while Marland, 380p, and Hardys and Hansons, 630p, put on 15 and 20 respectively. Buckleys, however, eased a couple of pence to 150p, despite news that Bestwood has increased its stake to just under 22 per cent.

George Wimpey easier

Leading Building issues suffered from a lack of investment interest. George Wimpey drifted lower in the absence of support and closed 5 down at 186½p, while Alfred McAlpine slipped 5 to 400p. Elsewhere, Rugby Portland Cement edged up 1 to 175p, while Marley firmed 2 to 125p on news that investment portfolios managed by Mercury Warburg Investment Management and Rowe-Mullens Investment Management had increased their holding to 15.01 per cent. Polypipe shed 3 to 163p following details of the acquisition of Paragon Plastics and Procell Plastics for a combined consideration of some £7m. Derek Crouch jumped to 300p prior to closing 18 higher at 193p following a bid approach. Recent favourite Helical Bar succumbed to profit-taking and came back 15 to 470p.

Against the trend in a subdued Chemical sector, Laporte attracted revived demand and rose 8 to 407p, while Brent improved 4 to 147p.

Stores mixed

Leading Stores succumbed to the malaise. Burton cheapened 1½ to 264½p ahead of tomorrow's annual figures, while Dixons lost 4 at 325p and Storehouse declined 5 at 300p. Elsewhere, Goldsmiths attracted renewed speculative support and closed 8 higher at 226p, while S. Casket were also popular at 85p, up 5. Lee Cooper, in which Compagnie de Navigation Mixte SA holds a near-13 per cent stake, firmed 5 afresh at 295p. Debfor added 5 at 159p and Stirling 4 at 140p. Martin Ford, on the other hand, fell 6 to 71p following the liquidation of speculative positions.

Interest in the Electrical sector centred upon secondary issues. MK reflected acute disappointment with the interim results with a fall of 18 at 268p. Dataserv, meanwhile, added 9 afresh at 207p on further consideration of the bid approach, while Whitworth gained 6 to 88p following the announcement that Edmunson Electrical now holds a near-16 per cent stake in the company. CML Microsystems added 10 to 160p following the bumper interim profits and Chloride hardened a fraction to 64½p ahead of tomorrow's first-half figures. MMT Computing rose 7 at 327p and Molynx firmed 4 at 97p. The leaders lacked support and closed with minor losses. British Telecom cheapened a couple of pence at 195p as did GEC, at 180p and Plessey, at 170p.

Among Engineers, APV improved 12 to 591p, interest being enlivened by the proposed acquisition of three US ice-cream equipment manufacturers for about £20m. Matthew Hall firmed 4 to 141p on news of the £14m contract from Tarmac, but B. Elliott eased 4 to 73p following the cautious statement which accompanied the interim profits recovery. Staveley closed a few pence easier at 572p after the proposed acquisition of 51 per cent of Weigh-Tronix Inc a leading US manufacturer of electronic weighing equipment and the vendor placing of 1.6m shares at 550p.

Second-line Foods displayed a late firm feature in J. Perkins Meats which jumped 8 to 40p on the announcement that Mr Tony Cole's Bestwood had acquired a 25 per cent stake in the company. Meat Trade Suppliers gained 10 to 160p in a restricted market as bid rumours resurfaced. Among the leaders, Tate and Lyle held up well and closed 3 dearer at 582p, while Hillsdown hardened a couple of pence to 205p.

Pilkington lower

Further unwinding of speculative positions in takeover favourite Pilkington left the shares down 16 more at 529. Elsewhere in the miscellaneous industrial leaders, Beecham due to report interim figures tomorrow, hardened a few pence to 427p, but Boots, also scheduled to announce its half-year results on the same day, eased 4½ to 224½. Hanson Trust were again the most actively traded stock (22m) but settled 7 cheaper at 193½p. Unilever, in contrast, rallied $\frac{1}{16}$ to £19$\frac{11}{16}$. Among the secondary issues, Charles Baynes advanced 9 to 31p in late dealings on the announcement that negotiations are taking place which may result in the injection of an asset in exchange for a 29.9 per cent shareholding in the enlarged Baynes. Interim results in line with most expectations failed to inspire London International which closed 11 cheaper at 236½p, while Metal Box also closed a few pence off at 175p following the half-year statement. Peek Holdings gave up 2 to 42½p amid talk of a put-through below the market level, but buying interest revived in Shiloh, 5 to the good at 198p. Cookson edged up 3 to 458p on the marketing agreement with Selangor Pewter, while comment on the preliminary figures prompted a further modest improvement to 185p in Diploma. In contrast, occasional selling left Williams Holdings 12 down at 537p and Evered 7 cheaper at 193p. Pearson fell 11 further to 576p as recent bid hopes faded.

In Leisures, Campari firmed 10 to 108p in a narrow market amid revived speculation of a Swedish offer.

Thoughts that the $50m to be raised via the issue of Convertible bonds to an international syndicate could be for US expansion stimulated demand for Lucas Industries. Initially the price recovered to 450p, but later sank back to close 4 down on the day at 440p. FR Group picked up following the successful outcome to the rights issue, rising to 297p before ending a few pence higher at 294p, but Spice gave 3 at 88p on news of the board changes and resignations of two directors.

With the exception of WCRS, 7 higher at 540p after good interim results and a fresh acquisition, Advertising Agencies lost ground. Charles Barker succumbed 5 more to 93p, while LCA eased to 121p; the latter group said yesterday that the bid from MAI could possibly be referred to the Monopolies Commission.

Properties displayed irregular movements. Land Securities continued to drift lower in the wake of recent results and closed 6 down at 330p, but Slough Estates found support on talk of a broker's circular and gained 5 to 182p, Brixton Estates improved a similar amount to 172p in sympathy. Elsewhere, Estates Property Investment settled a penny off at 167p following details of the acquisition of a portfolio of properties for £6.5m, while bid hopes continued to boost Property and Reversionary, up 4 more at 271p.

IEP (UK) Securities topped up its share stake to the level allowed under Takeover Panel rules of 29.9 per cent, but Ocean Transport stayed at 251p, compared with the 260p cash per share offer price. Elsewhere, small demand in a limited market raised Mersey Dock units 5 to 39p.

Debron Investments improved to 50p before dealings in the company's shares were suspended. Subsequent details of a $95m acquisition, which will eventually lead to the sale or placing of the share stake in major shareholder Interface Flooring Systems, was announced. Among other smaller-priced Textiles, Richards gained 2 to 47p but Palma gave up 4 at 41p.

After announcement of the preliminary statement, Scottish Cities "A" rose 10 to 530p. Business in Financial Trusts was subdued, but Mercantile House strengthened 5 further to 305p still reflecting the chance of rules limiting ownership by banks of foreign exchange and money brokers. Aitken Hume remained at 140p despite Sunshine Pacific of Hong Kong increasing its stake to 12.15 per cent. Elsewhere, Kellock were quoted at 38p following implementation of the capital reconstruction scheme.

Oils drift

The oil majors drifted progressively lower in the absence of any positive news from the Opec meeting and, with Wall Street easier in early trading, prices generally settled at the day's lowest. British Petroleum were finally 8 off at 691p, while Shell settled 4 cheaper at 953p. LASMO were dull at 157p, down 4, and Enterprise 3½ lower at 163½p. On the takeover front, IC Gas, the subject of an unwelcome offer from Gulf Resources, revived and touched 570p prior to closing 7 higher at 567p. Petranol, however, ran back 6 to 50p pending the outcome of bid talks. Exploration hopes continued to boost Conroy Petroleum which rose 22 more to 373p.

Golds above worst

South African mining markets displayed stability after Monday's severe mauling. Initial weakness in bullion—down to $387.25 at one stage—induced occasional offerings of Golds from Johannesburg, although this was quickly absorbed as the Financial Rand held steady against an improving dollar, albeit with revived Reserved Bank support. Bullion's later recovery—the metal finally settled fractionally higher on balance at $391.25 an ounce—led to a minor technical rally among selected top-quality stocks, and with dealers reporting sporadic short-covering, quotations closed around the day's best.

Illustrating the general trend, Vaal Reefs, down to £53¼ earlier, closed only 1¾ points off at £55¾, while Southvaal hardened ⅜ to £29¾. Kloof firmed 12 to 533p. The FT Gold Mines index rose 1.6 to 304.0. Financials remained irregular. "Amgold" improved 1¼ to £50¼, but De Beers Deferred eased a few pence more to 517p. Another dull showing by London equities depressed RTZ, 9 cheaper at 676p, and Consolidated Gold Fields, 11 down at 662p.

Australian Golds, on the other hand, displayed little inclination to firmer levels. Indeed, the continued absence of overseas demand for overnight Sydney and Melbourne markets promptd further substantial losses for Gold Mines of Kalgoorlie, 593p, and Central Norseman, 573p, down 30 and 40 respectively. Metana fell 13 to 253p despite revealing hopes in the annual report of an imminent expansion into gold exploration in Queensland via a proposed farm into a prospect near the Starra gold and copper discoveries controlled by Elders Resources.

Canada's McFinlay Red Lake fell 12 more to 195p on further consideration of the interim report; on Monday, the company announced proposals for the buy-out of its partners in the McFinlay joint venture in Ontario.

Traded Options

Relatively subdued conditions in the underlying securities were fully reflected by Traded Options which attracted 24,372 contracts—the lowest total so far this month. Nevertheless, operators displayed renewed enthusiasm for Hanson Trust which bucked the trend and recorded 5,159 calls, 1,225 of which were struck in the popular December 200 series. Butswere lively with 1,169 calls and 546 puts transacted. Put interest was also noted for British Telecom with 1,709 trades done.

Traditional Options

- First dealings Nov 17 Dec 1 Dec 15
- Last dealings Nov 28 Dec 12 Jan 2
- Last declaration Feb 19 Mar 5 Mar 19
- For Settlement Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Lonrho, Phoenix Properties, Sound Diffusion, Ennex, J. A. Devenish, Thomson T-Line, Regentcrest, Quest Automation, McCarthy and Stone, Johnson and Firth Brown, TSB, Conroy Petroleum, Mercantile House, London International, Wiggins, Goldsmiths, Helical Bar, Goodwin, Amstrad, Polly Peck, Audiotronic, Morgan Grenfell, Eglington, Control Securities, Greenwich Resources and Geers Gross. A put was done in Phoenix Properties, while double options were transacted in Equity and General, Burton, Sound Diffusion and Phoenix Properties.

FINANCIAL TIMES STOCK INDICES

	Nov. 18	Nov. 17	Nov. 14	Nov. 13	Nov. 12	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	81.32	81.43	81.38	81.04	81.07	83.41	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.59	88.55	88.54	88.46	88.85	88.76	97.68 (7/7)	86.55 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♦	1,271.6	1,278.5	1,293.2	1,295.7	1,305.1	1,095.5	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	304.0	302.4	325.1	328.5	316.6	277.6	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.46	4.41	4.39	4.39	4.37	4.40				
Earnings Yld.%(full)	10.35	10.21	10.19	10.18	10.09	10.90				
P/E Ratio (net) (*)	11.82	11.98	12.00	12.02	12.13	11.31				
SEAQ Bargains (5pm)	23,762	26,451	25,788	27,780	32,691	—				
Equity Turnover (£m)	—	983.27	1050.52	1177.48	1184.32	598.23				
Equity Bargains	—	36,958	41,152	45,236	54,958	24,147				
Shares Traded (ml)	—	431.2	520.8	479.0	456.4	279.3				

S.E. ACTIVITY

Indices	Nov. 17	Nov. 14
Gilt Edged Bargains	177.7	132.2
Equity Bargains	239.5	266.6
Equity Value	1987.4	2123.4
5-Day Average		
Gilt Edged Bargains	148.0	151.2
Equity Bargains	291.0	305.2
Equity Value	2141.1	2162.0

♦ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1279.8	1279.0	1276.4	1275.8	1273.7	1273.5	1273.1	1273.4

Day's High 1281.5. Day's Low 1271.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.34. †Corrected.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (69)

AMERICANS (1) Dana Corp. BREWERS (3) Eldridge Pope A, Fuller Smith & Turner, Young Brew. A N/V. BUILDINGS (5) Aberdeen Const., Crouch (D.), Howard Shuttering, Rowlinson, Wettern Bros. CHEMICALS (3) Coates Bros., Do "A", Schering. STORES (4) Casket (S.), Chelsea Man, Debfor, Stirling Group. ELECTRICALS (5) Chloride 7½% Prf., Dataserv Inc., Electronic Machine, MMT Computing, Scholes (G. H.) ENGINEERING (2) Concentric, Hobson. FOODS (3) Hughes Food, Meat Trade Suppliers, Snowdon & Bridge. HOTELS (1) Pres. Entertainment. INDUSTRIALS (13) Black Arrow, Bodycote Intl., Flogas, Holden Hydroman, J. S. Pathology, Harling Inds., Mysor Group, Scott Greenham, Shiloh, Stat-Plus, Stocklake, Thomson T-Line, Tod. LEISURE (1) LWT. MOTORS (3) Quick (H. & J.). NEWSPAPERS (1) News Int. Spec. Div. PAPERS (4) Crodley Print, Olives Paper, Osborne & Little, Waterloughs. TEXTILES (2) Glen Abbey, Lamont Hldgs. TRUSTS (17) China & East Inv., Derby Tst. Cap., Eng. & Intl. Warr., Fashion & General, Fleming Claverhouse, Fundinvest Cap., German Secs., Glasgow Stockholders, Govett Strategic, Greenfriar, Law Debenture, London & Gartmore, Rights & Issue Cap., River & Mercantile, St. Andrews Tst., Second Market Inv., Parrish (J. T.). OILS (3) Chevron, Conroy Pet. Nat. Res., Royal Dutch.

NEW LOWS (17)

CANADIANS (1) Rio Algom. CHEMICALS (1) Morceau. STORES (1) Elec. Spec. Products. ELECTRICALS (4) Fletcher Dennys, Northamber, Philips Finance 5¾pc, Stone Intl. ENGINEERING (1) Brown & Tawse. INDUSTRIALS (2) Amari, Office & Elect. INSURANCE (2) Alexander & Alexander, Lincoln Natl. MOTORS (1) Lucas. PAPER (1) Barker (Charles). PROPERTY (1) Slough Ests. 12¾pc 2009. TRUSTS (2) Dualvest Inc., N. Scotland Inv.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,800	153	−2	ICI	575	£10½	—
Allied Lyons	831	312	−2	Jaguar	221	507	−3
BAT	1,800	455	−5	Ladbroke	183	369	−1
BOC	1,000	334	—	Land Securities	1,700	330	−6
BTR	2,200	291	−3	Legal & Gen.	476	235	+1
Barclays	306	470	−3	Lloyds Bak.	825	425	+7
Bass	316	732	−3	Lonrho	1,000	240	−½
Beecham	2,600	427	+3	Marks & Spncr.	2,300	191	−2
Blue Circle	215	630	−4	Midland Bak.	267	565	−3
Boots	2,700	224½	−5½	NatWest Bnk.	629	500	—
Brit. Aero	959	481	−2	P & O	489	504	−5
Britoil	1,600	163½	−1½	Plessey	4,500	170	−2
BP	2,300	691	−8	Prudential	336	798	+1
Brit. Telecom	8,300	195	−2	Racal	1,200	171	−1
Burton	966	265	−1	Reckitt & Col	705	804	+1
Cable & Wire	2,700	303	−1	Reuters	352	529	−1
Cadbury Schwps	1,200	178	−1	RTZ	1,100	676	−9
Comm. Union	1,500	267	−1	Royal Insrnce	331	822	−3
Cons. Gold	921	662	−11	STC	609	159	−2
Courtaulds	368	310½	−½	Sainsbury	243	410	—
Dixons Grp.	854	324	−5	Sears	3,000	124	−1½
Fisons	642	547	+3	Sedgwick	400	359	+1
Gen. Accident	446	810	−13	Shell Trans	677	953	−4
Gen. Elect.	2,500	180	−2	Sun Alliance	66	645	−2
Glaxo	591	902	+3	TSB	5,600	78½	+½
Grand Met.	2,800	444	−4	Tesco	382	385	−2½
Gas "A"	690	£10$\frac{1}{16}$	−$\frac{1}{16}$	Thorn EMI	265	480	−2
Guardian R.E.	60	767	−1	Trafalgar Hse.	745	279	−2
GKN	838	250	+1	T'hose Forte	9,400	173	+10
Guinness	1,200	329	−5	Unilever	648	£19$\frac{11}{16}$	+$\frac{1}{16}$
Hanson Trust	22,000	193½	−7	Utd Biscuits	364	235	—
Hawker Sidd	126	417	+1				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	87	14
Corporations, Dom. and Foreign Bonds	5	18	45
Industrials	351	493	683
Financial & Properties	154	133	290
Oils	16	45	51
Plantations	6	1	7
Mines	25	73	84
Others	65	69	66
Totals	634	919	1,240

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Tuesday November 18 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Nov 17 Index No.	Fri Nov 14 Index No.	Thurs Nov 13 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (218)	671.74	−0.6	9.07	3.82	14.80	16.17	675.56	681.81	679.77	565.81
2 Building Materials (27)	819.62	−0.5	8.72	3.59	14.45	17.54	823.61	834.19	827.05	634.94
3 Contracting, Construction (29)	1139.94	−0.6	7.71	4.06	17.83	32.56	1147.30	1160.33	1163.80	943.48
4 Electricals (12)	1714.18	−0.5	8.58	4.89	15.09	53.27	1723.06	1756.26	1754.97	1573.97
5 Electronics (38)	1464.84	−0.9	9.62	2.77	13.86	29.90	1480.23	1496.44	1482.47	1512.98
6 Mechanical Engineering (60)	372.11	—	10.53	4.47	12.11	18.42	372.25	374.41	375.94	328.10
8 Metals and Metal Forming (7)	339.39	−0.1	9.40	4.15	13.38	9.33	339.67	341.72	339.83	248.96
9 Motors (16)	256.43	−0.4	10.79	4.09	10.76	5.71	257.56	259.30	258.17	205.19
10 Other Industrial Materials (21)	1221.37	−0.8	7.33	4.42	16.19	30.19	1231.32	1257.38	1241.37	1051.91
21 CONSUMER GROUP (186)	924.35	−0.4	8.26	3.38	15.51	18.47	927.79	938.16	941.51	760.97
22 Brewers and Distillers (22)	947.57	−0.7	9.27	3.39	13.26	14.91	953.98	970.31	970.80	796.51
25 Food Manufacturing (24)	712.40	+0.1	9.32	3.88	13.94	14.99	711.64	719.72	724.83	545.94
26 Food Retailing (16)	1839.90	−0.4	6.99	2.88	20.13	30.56	1846.49	1865.71	1874.19	1736.49
27 Health and Household Products (10)	1489.55	+0.3	6.51	2.55	18.58	21.57	1484.66	1503.02	1517.72	1161.51
29 Leisure (28)	963.82	+0.8	7.63	4.23	17.39	25.08	956.53	961.68	965.47	767.78
31 Publishing & Printing (15)	2573.67	−0.2	7.72	4.40	16.55	73.96	2578.53	2601.80	2605.46	1864.81
32 Packaging and Paper (14)	473.79	−0.8	7.14	3.49	18.16	10.56	477.57	477.55	474.12	372.55
34 Stores (38)	841.14	−1.1	7.37	3.12	18.41	16.10	850.76	859.58	860.94	798.98
35 Textiles (17)	538.08	−0.2	9.50	3.67	12.18	20.57	538.97	543.86	543.79	379.13
36 Tobaccos (2)	1265.58	−1.0	13.06	4.89	8.42	34.99	1278.39	1293.04	1297.88	908.08
41 OTHER GROUPS (87)	788.24	−0.9	8.63	4.11	14.95	17.50	795.24	806.16	805.88	[illegible]
42 Chemicals (20)	972.86	+0.1	9.01	4.45	13.50	29.15	971.73	980.42	985.58	713.55
44 Office Equipment (4)	243.07	−0.7	7.66	4.58	15.82	7.55	244.69	238.30	238.15	224.08
45 Shipping and Transport (12)	1537.21	−0.9	7.81	4.48	16.32	44.37	1550.51	1574.03	1557.18	[illegible]
47 Telephone Networks (2)	774.09	−0.9	11.08	4.75	12.34	16.67	780.91	785.65	780.38	905.68
48 Miscellaneous (49)	1093.63	−1.6	6.25	3.34	20.15	16.87	1111.00	1125.66	1126.53	896.81
49 INDUSTRIAL GROUP (485)	858.25	−0.5	8.52	3.64	14.88	17.91	862.71	872.56	873.05	[illegible]
51 Oil & Gas (17)	1428.99	−0.8	11.43	6.27	10.77	62.83	1440.95	1442.35	1430.93	1193.31
59 500 SHARE INDEX (500)	880.42	−0.6	8.87	3.98	14.22	21.45	885.49	893.50	893.37	747.90
61 FINANCIAL GROUP (118)	602.37	—	—	4.72	—	17.46	602.20	605.43	605.92	533.09
62 Banks (8)	656.41	+0.2	19.18	5.58	7.15	23.94	655.06	657.98	655.87	543.46
65 Insurance (Life) (9)	934.20	−0.1	—	4.24	—	26.88	935.10	943.47	946.22	818.45
66 Insurance (Composite) (7)	451.22	−0.6	—	4.81	—	13.49	453.79	458.05	458.59	415.10
67 Insurance (Brokers) (9)	1239.62	+0.2	7.72	4.18	16.88	35.33	1236.60	1233.95	1267.82	1194.43
68 Merchant Banks (12)	358.22	+0.5	—	3.43	—	7.89	356.47	354.94	351.04	287.80
69 Property (49)	790.71	−0.1	5.87	3.62	22.10	15.17	791.73	794.15	799.15	692.81
70 Other Financial (24)	356.25	—	9.23	4.48	13.21	9.06	356.05	355.98	352.85	307.57
71 Investment Trusts (98)	801.50	−0.1	—	3.11	—	12.02	802.12	811.83	812.07	696.96
81 Mining Finance (2)	332.57	−1.4	9.45	4.82	12.45	11.30	337.41	343.56	344.93	256.46
91 Overseas Traders (13)	770.85	−0.6	10.42	5.71	11.58	29.17	775.43	782.28	775.27	574.68
99 ALL-SHARE INDEX (731)	805.58	−0.5	—	4.07	—	20.12	809.26	816.06	815.85	684.28

	Index No.	Day's Change	Day's High	Day's Low	Nov 17	Nov 14	Nov 13	Nov 12	Nov 11	Year ago
FT-SE 100 SHARE INDEX ♦	1617.5	−11.1	1629.3	1617.4	1628.6	1644.3	1644.6	1654.5	1660.9	1412.1

FIXED INTEREST

PRICE INDICES	Tues Nov 18	Day's change %	Mon Nov 17	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.58	−0.04	118.62	—	10.31
2 5-15 years	127.95	−0.22	128.22	—	11.61
3 Over 15 years	132.81	−0.29	133.20	—	11.83
4 Irredeemables	144.79	+0.10	144.63	—	13.24
5 All stocks	126.72	−0.17	126.94	—	11.33
Index-Linked					
6 5 years	114.68	−0.22	114.93	—	2.00
7 Over 5 years	110.11	−0.14	110.26	—	2.34
8 All stocks	110.82	−0.15	110.99	—	2.49
9 Debentures & Loans	109.80	−0.38	110.22	—	10.25
10 Preference	79.45	−0.03	79.48	—	6.07

AVERAGE GROSS REDEMPTION YIELDS		Tues Nov 18	Mon Nov 17	Year ago (approx.)
British Government				
1 Low	5 years	9.95	9.93	9.98
2 Coupons	15 years	10.67	10.64	10.25
3	25 years	10.68	10.64	10.28
4 Medium	5 years	11.44	11.39	10.84
5 Coupons	15 years	11.01	10.97	10.50
6	25 years	10.59	10.55	10.29
7 High	5 years	11.55	11.51	10.80
8 Coupons	15 years	11.18	11.14	10.75
9	25 years	10.44	10.40	10.46
10 Irredeemables		10.36	10.37	9.80
Index-Linked				
11 Inflat'n rate 5%	5 yrs	3.74	3.61	0.0
12 Inflat'n rate 5%	Over 5 yrs	3.85	3.84	0.0
13 Inflat'n rate 10%	5 yrs	2.22	2.08	0.0
14 Inflat'n rate 10%	Over 5 yrs	3.73	3.71	0.0
15 Debs & Loans	5 years	11.64	11.67	11.44
16	15 years	11.73	11.66	11.35
17	25 years	11.74	11.66	11.25
18 Preference		11.52	11.52	11.82

♦Opening index 1628.8; 10 am 1627.5; 11 am 1624.2; Noon 1623.3; 1 pm 1621.5; 2 pm 1620.8; 3 pm 1619.3; 3.30 pm 1620.1; 4 pm 1619.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	Apr.	July	PUTS Jan.	Apr.	July
Allied Lyons (*311)	280 300 330 360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*693)	550 600 650 700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*662)	550 600 650 700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*310)	260 280 300 330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*267)	260 280 300 330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire (*302)	280 300 330 360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*181)	160 180 200 220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*445)	360 390 420 460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*1049)	950 1000 1050 1100 1150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities (*329)	300 330 360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spen. (*191)	160 180 200 220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*955)	800 850 900 950 1000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House (*280)	260 280 300 330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TSB (*79)	70 80 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov.	Feb.	May	PUTS Nov.	Feb.	May
Lonrho (*240)	220 240 260 280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Aero (*482)	420 460 500 550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds (*456)	390 420 460 500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*470)	420 460 500 550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom (*195)	180 200 220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes (*178)	160 180 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness (*329)	300 330 360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gr. (*396)	330 360 390 420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*369)	330 360 390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*157)	120 130 140 160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk (*565)	500 550 600	67 18 1	90 47 17	102 57 27	1 2 40	5 18 42	12 25 50
P. & O. (*505)	460 500 550 600	45 6 1 [illegible]	62 35 13 [illegible]	73 48 22 [illegible]	1 2 48 [illegible]	5 20 55 [illegible]	10 30 65 [illegible]
Racal (*172)	140 160 180 200 220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*676)	550 600 650 700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$79)	70 80 90 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 1991 (*£103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07 (*£106)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Dec.	Mar.	Jun.	PUTS Dec.	Mar.	Jun.
Beecham (*427)	330 360 390 420 460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*225)	200 220 240 260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR (*291)	260 280 300 330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*732)	650 700 750 800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle (*634)	550 600 650 700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$7.35)	600 700 800 900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons (*324)	300 330 360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN (*250)	240 260 280 300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*902)	850 900 950 1000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*194)	180 200 220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*509)	460 500 550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*385)	330 360 390 420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI (*480)	460 500 550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov.	Dec.	Jan.	Feb.	PUTS Nov.	Dec.	Jan.	Feb.
FT-SE Index (*1620)	1525 1550 1575 1600 1625 1650 1675 1700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 18. Total Contracts 24,372, Calls 15,592, Puts 8,780. FT-SE Index, Calls 694, Puts 1,012

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA

Nov. 18	Price Sch	+ or −
[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

Nov. 18	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

DENMARK

Nov. 18	Price Kr.	+ or −
[illegible]	[illegible]	[illegible]

FINLAND

Nov. 18	Price Mks	+ or −
[illegible]	[illegible]	[illegible]

NETHERLANDS

Nov. 18	Price Fls	+ or −
[illegible]	[illegible]	[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

GERMANY

Nov. 18	Price Dm.	+ or −
[illegible]	[illegible]	[illegible]

ITALY

Nov. 18	Price Lira	+ or −
[illegible]	[illegible]	[illegible]

FRANCE

Nov. 18	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

NORWAY

Nov. 18	Price Kroner	+ or −
[illegible]	[illegible]	[illegible]

SPAIN

Nov. 18	Price Pts %	+ or −
[illegible]	[illegible]	[illegible]

SWEDEN

Nov. 18	Price Kroner	+ or −
[illegible]	[illegible]	[illegible]

SWITZERLAND

Nov. 18	Price Frs.	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA

Nov. 18	Price Aust. $	+ or −
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

Nov. 18	Price Aust. $	+ or −
[illegible]	[illegible]	[illegible]

HONG KONG

Nov. 18	Price H.K.$	+ or −
[illegible]	[illegible]	[illegible]

JAPAN

Nov. 18	Price Yen	+ or −
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Nov. 18	Price Yen	+ or −
[illegible]	[illegible]	[illegible]

SINGAPORE

Nov. 18	Price S$	+ or −
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Nov. 18	Price Rand	+ or −
[illegible]	[illegible]	[illegible]

CANADA

TORONTO

Closing prices November 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights.

Total Sales 3,720,023 shares

MONTREAL

Closing prices November 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Indices

NEW YORK—DOW JONES

	Nov 18	Nov 17	Nov 14	Nov 13	Nov 12	Nov 11	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trading vol	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

STANDARD AND POORS

	Nov 18	Nov 17	Nov 14	Nov 13	Nov 12	Nov 11	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Composite	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

Nov 18	Nov 17	Nov 14	Nov 13	1986 High	1986 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS

	Nov 18	Nov 17	Nov 14
Issues traded	[illegible]	[illegible]	[illegible]
Rises	[illegible]	[illegible]	[illegible]
Falls	[illegible]	[illegible]	[illegible]
Unchanged	[illegible]	[illegible]	[illegible]

NYSE-Consolidated 1500 Actives

Stocks	Closing prices	Change on day	Stocks	Closing prices	Change on day
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Advances 279 Declines 1,338

TORONTO	Nov 18	Nov 17	Nov 14	Nov 13	1986 High	1986 Low
Metals & Minls	2,[illegible]	2,107.58	2,127.28	212.67	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,[illegible]	3,047.58	3,[illegible]	3,062.8	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,524.67	538.86	1,546.4	1,537.2	1,823.33 (18/4)	1,388.8 (22/1)

* Indicates pre-close figure

WORLD INDICES

	Nov. 18	Nov. 17	Nov. 14	Nov. 13	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Metals & Mins. (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA Credit Aktien	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM Brussels SE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK Copenhagen SE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND Unitas Gen. (1975)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE CAC General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind Tendance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY FAZ Aktien	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG Hang Seng Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY Banca Comm. Ital.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN** Nikkei	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo SE New	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS ANP-CBS General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ANP-CBS Indust	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY Oslo SE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE Straits Times	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA JSE Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JSE Indust	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN Madrid SE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN Jacobson & P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND Swiss Bank Cpn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD M.S. Capital Intl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

** Saturday November 15: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 43

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Baynes	31	+ 9
CML Micro	160	+20
Conroy Petrol	373	+22
Crouch (D)	193	+18
Dataserv	207	+ 9
Eldridge PA	430	+13
Equity Law	297	+ 5
I.C. Gas	567	+ 7
Lloyds Bank	425	+ 7
Mercantile H	305	+ 5
Mercury Sec	411	+21
Mersey Dock	39	+ 5
Perkins (J)	40	+ 8
Slough Ests.	182	+ 5
Trusthouse F.	173	+10
Whitworth E.	88	+ 6

FALLS

Barker (C.)	93	− 5
BP	691	− 8
Central N	573	−40
Cons Gold	682	−11
London Intl.	236½	−11
MK Electric	368	−18
Metana Min	253	−13
Morgan Gren	418	−14
Pearson	576	−11
Pilkington Br.	529	−16
Wimpey (G)	186½	− 5

NYSE COMPOSITE CLOSING PRICES

Continued from Page 43

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	15	AAR s	.44	1.9	17	282	22⅞	22⅝	22⅝	−¼
30	21¾	ADT	.92	3.5		239	26⅝	26¼	26¼	−⅜
33	14½	AFG s	.12i	.4	14	528	28¾	28	28	−1½
25⅝	16¾	AGS			16	299	24⅛	23⅞	23⅞	−¼
15	7¾	AMCA				2	8¼	8¼	8¼	−⅛
82½	38¾	AMR			13	7716	65⅞	64⅛	65	−1⅛
27½	23¼	ANR pf2.67		10.		2	25½	25½	25½	
24¼	19⅝	ANR pf2.12		9.0		2	23½	23½	23½	
16¾	10	ARX	.71t	6.5	10	39	11⅛	10⅞	10⅞	−⅛
41½	26¾	ASA	2a	5.6		601	36¼	35¾	36	+½
16⅝	8¾	AVX		2.6		132	11¾	11¼	11¼	−⅝
32	25½	AZP	2.72	9.4	8	808	29	28⅞	28⅞	
55	30¼	AbtLb s .84		1.9	19	4744	45⅝	44	44	−1⅝
32	23⅝	AccoWd58		2.1	17	603	27¼	26¾	26⅞	−¼
14⅞	9	AcmeC .40		4.1		38	10¼	9⅞	9⅞	−½
9¼	6¼	AcmeE .32b		4.8	17	5	6⅝	6⅝	6⅝	+⅛
23⅞	17½	AdaEx 4.45e		22.		71	20½	20¼	20⅜	
33⅜	19	AdmMl .48		1.8	13	15	27¼	27⅛	27⅛	−⅛
20⅝	12⅛	AdvSys1.45t		9.7	13	26	14⅞	14⅝	14⅞	
32⅞	12⅞	AMD				2274	15⅞	14⅞	14⅞	−1
[illegible]										

Kidder, Peabody International
Limited

International Investment Bankers

An affiliate of
Kidder, Peabody & Co.
Incorporated
Founded 1865

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Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
96½	67	VaEP pf7.20		7.6		z300	94⅝	94⅝	94⅝	+⅛
24⅞	17	Vishay			13	40	20	19½	19¾	+¼
85	64	Vornad			20	24	73⅝	73¼	73¼	−¼
124½	85¾	VulcM	2.96	2.5	18	17	120⅜	120¼	120¼	−⅛
		W W W								
46	27¼	WICOR	2.60	6.3	11	37	41⅝	41⅛	41⅛	−½
40	17½	Wackht	.60	3.1	16	55	19¾	19½	19½	−¼
8	4	Wainoc				54	4⅝	4⅝	4⅝	−⅛
53⅞	27½	WalMrt	.17	.4	31	5858	44¾	43⅜	43¾	−1
39½	24¼	Walgrn	.54	1.7	19	2422	33⅞	31¾	31⅞	−1¾
50⅛	37	WalCSv	.60	1.5	17	77	42½	41⅛	41¼	−1½
54⅝	30¾	WalU s	1.40	3.0	10	2209	47⅛	46	46¼	−⅞

Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Fall gathers pace as selling grows

SELLING PRESSURE spread beyond the speculative takeover stocks and prices tumbled on Wall Street yesterday, *writes Roderick Oram in New York.*

The decline was confined to a few points during the morning, but in early afternoon a steep slide was triggered by growing fears of the implications of the Boesky insider trading scandal. No support for stocks was available from the bond market which was drifting lower.

The Dow Jones industrial average closed down 43.31 at 1,817.21, its sharpest drop since the record declines on September 11 and 12. The New York Stock Exchange composite index fell 3.42 to 136.48, with declining issues swamping rising by 1,377 to 266. Volume was heavy at 185.26m.

The feeling was widespread among market participants that takeover speculation which had carried the market up more than 150 points was a spent force. As the decline started, falling stock index options triggered computerised sell programmes in the underlying stocks.

The two most active issues were falling takeover stocks. Gillette fell $7¼ to $60 on volume of 3.5m shares. It is the object of a takeover bid from Mr Ronald Perelman who makes extensive use of advice and junk-bond financing from Drexel Burnham Lambert which is under scrutiny by the Securities and Exchange Commission in the Boesky insider trading scandal.

Similarly, USX fell $⅛ to $21½ on volume of 4.6m shares. Mr Carl Icahn, who has bid for the steel and energy group, was believed to have been subpoeaned in the Boesky affair.

Goodyear Tire and Rubber fell $1½ to $44⅞. Sir James Goldsmith's takeover offer for it was the subject of congressional hearings yesterday.

These issues apart, the most active list returned to a more normal balance of issues after being dominated by falling takeover candidates on Monday because of the widening insider trading investigation.

Among companies turning in results, two department store chains presented contrasting pictures. Dayton Hudson, up $¼ to $42¼, reported third-quarter net profits of 54 cents a share against 58 cents a year earlier. May Department Stores, down $⅞ to $34¾, reported profits of 47 cents a share against 37 cents.

Among other store groups, K mart was off $1½ to $49, Sears Roebuck lost $1¼ to $41½ and Federated, which had been subject to takeover rumours, fell $5½ to $91½. It reported lower earnings.

Westvaco gained $⅞ to $37⅞. It reported net profits for the year of $2.50 a share against $2.43. Other paper groups were lower. Scott Paper fell $⅝ to $60½, Bowater was off $½ to $29½ and James River eased $⅛ to $30½.

Squibb rose $1⅞ to $102⅞ after it had announced the sale of its Charles of the Ritz cosmetics unit.

Revere Copper and Brass gained $⅝ to $21⅛. The board approved a management buyout at $22½ a share.

Coca-Cola lost $⅞ to $35½. The price of the initial public offering (IPO) in its bottling unit has been lowered to the $18–$21 range from $21–$24 after resistance from institutional shareholders to the higher price. The offering, the largest IPO ever in the US, is due to begin tomorrow.

Among the general weakness of technology stocks, IBM was down $1½ to $120½, NCR fell $1½ to $44½, Digital Equipment fell $2½ to $97⅞, Hewlett-Packard lost $1 to $41¼, Honeywell lost $1⅞ to $68¼ and Motorola fell $⅜ to $35⅞.

The credit markets were quiet lacking any immediate news to spur trading. Against a background of stabilising precious metal prices after their recent sharp fall and a softer dollar, bond prices drifted marginally lower.

The price of the benchmark 7.50 per cent Treasury bond due in 2016 eased 15/32 to 99¾ yielding 7.50 per cent. Shorter maturities were close to unchanged.

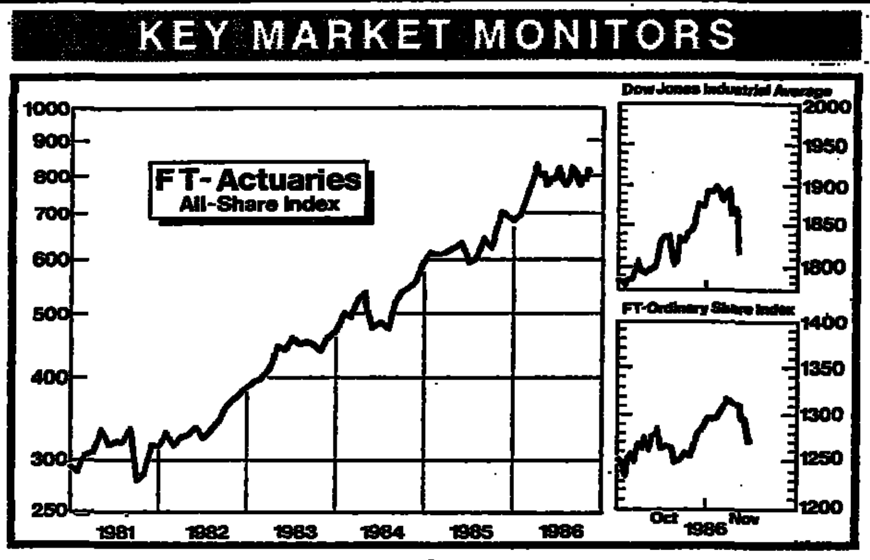
Three-month Treasury bills fell two basis points to 5.34 per cent, six-month bills slipped two basis points to 5.48 per cent.

The main concern in the corporate bond market was over the performance of the junk-bond sector in which prices fell for the second day by between ½ and 1¾ points in jittery trading.

A shadow was cast over the high-yield securities by news that Drexel Burnham Lambert, the securities house which pioneered the use of low investment grade paper for takeover, was under investigation by the Securities and Exchange Commission in connection with the Boesky insider trading affair.

Drexel had underwritten half the bonds placed in the few years the market has been operating, issuing $15bn in the first nine months of this year alone. Drexel's ability to maintain a confident secondary market in its issues will be crucial to the junk-bond sector.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Nov 18	Previous	Year ago
DJ Industrials	1,817.21	1,860.52	1,440.02
DJ Transport	813.88	829.25	681.76
DJ Utilities	204.17	209.24	165.26
S&P Composite	236.63	243.21	198.70
LONDON			
FT Ord	1,271.6	1,278.5	1,095.5
FT-SE 100	1,617.5	1,628.6	1,405.1
FT-A All-share	n/a	809.26	n/a
FT-A 500	n/a	885.49	n/a
FT Gold mines	304.0	302.4	277.6
FT-A Long gilt	10.66	10.63	10.50
TOKYO			
Nikkei	17,273.53	17,208.15	12,700.3
Tokyo SE	1,421.56	1,418.50	995.65
AUSTRALIA			
All Ord.	1,314.5	1,326.6	995.2
Metals & Mins.	639.2	650.0	499.3
AUSTRIA			
Credit Aktien	233.75	233.05	212.35
BELGIUM			
Belgian SE	3,964.95	4,034.39	2,911.55
CANADA			
Toronto			
Metals & Mins	2,068.90	2,107.50	1,648.0
Composite	3,028.2	3,047.50	2,781.7
Montreal			
Portfolio	1,524.07	1,538.66	134.66
DENMARK			
SE	189.25	189.31	229.01
FRANCE			
CAC Gen	379.10	380.30	294.1
Ind. Tendance	146.00	145.60	85.7
WEST GERMANY			
FAZ-Aktien	657.37	656.81	578.70
Commerzbank	1,975.20	1,971.90	1,708.4
HONG KONG			
Hang Seng	2,249.97	2,242.89	1,744.20
ITALY			
Banca Comm.	n/a	726.25	419.43
NETHERLANDS			
ANP-CBS Gen	280.30	278.30	234.3
ANP-CBS Ind	277.80	278.70	208.8
NORWAY			
Oslo SE	377.08	378.25	405.41
SINGAPORE			
Straits Times	895.48	881.96	762.20
SOUTH AFRICA			
JSE Golds	—	1,847.0	1,190.9
JSE Industrials	—	1,411.0	956.0
SPAIN			
Madrid SE	172.19	171.30	99.53
SWEDEN			
J&P	2,593.75	2,589.95	1,513.43
SWITZERLAND			
Swiss Bank Ind	577.10	589.90	528.4
WORLD	Nov 17	Previous	Year ago
MS Capital Int'l	337.5	341.0	238.6

COMMODITIES

(London)	Nov 18	Prev
Silver (spot fixing)	391.55p	395.85p
Copper (cash)	£909.75	£907.00
Coffee (Jan)	£2,022.50	£1,999.00
Oil (Brent blend)	$15.20	$15.25

GOLD (per ounce)

	Nov 18	Prev
London	$391.25	$391.125
Zürich	$390.95	$389.25
Paris (fixing)	$389.86	$395.55
Luxembourg	$388.25	$393.75
New York (Dec)	$394.50	$389.30

CURRENCIES

(London)	US DOLLAR Nov 18	Previous	STERLING Nov 18	Previous
£	—	—	1.4235	1.4285
DM	2.0125	2.0130	2.8650	2.8750
Yen	162.70	162.75	231.50	232.50
FFr	6.5900	6.5925	9.3800	9.4175
SFr	1.6740	1.6740	2.3825	2.3925
Guilder	2.2740	2.2740	3.2375	3.2475
Lira	1,392	1,394.5	1,981.50	1,991.75
BFr	41.90	41.80	59.65	59.70
C$	1.3830	1.3850	1.9695	1.9785

INTEREST RATES

Euro-currencies (3-month offered rate)	Nov 18	Prev
£	11⅛	11⅛
SFr	4	3 15/16
DM	4⅝	4⅝
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅜	6⅜
6-month US$	6⅜	6⅜
US Fed Funds	5 7/16*	6⅛
US 3-month CDs	5.75*	5.65
US 3-month T-bills	5.315*	5.395

US BONDS

Treasury	November 18* Price	Yield	Prev Price	Yield
6[illegible] 1988	100[illegible]	6.286	100[illegible]	6.303
7¼ 1993	100[illegible]	7.063	100[illegible]	7.06
7¼ 1996	99[illegible]	7.268	100[illegible]	7.23
7½ 2016	99[illegible]	7.521	100[illegible]	7.484

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Nov 18* Return Index	Day's change	Yield	Day's change
1–30	158.82	−0.16	6.98	+0.02
1–10	151.30	−0.08	6.68	+0.01
1–3	141.59	+0.01	6.28	+0.00
3–5	154.21	−0.11	6.78	+0.03
15–30	186.81	−0.45	7.97	−0.03

Source: Merrill Lynch

Corporate	November 18* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	92.292	6.30	92.102	6.35
SCBT South Central 10¾ Jan 1993	106.875	9.409	106.875	9.409
Phibro-Sal 8 April 1996	99	8.152	99.625	8.058
TRW 8⅞ March 1996	102.75	8.315	102.50	8.354
Arco 9⅞ March 2016	107.914	9.085	107.375	9.145
General Motors 8⅝ April 2016	91.403	8.951	91.00	8.999
Citicorp 9⅞ March 2016	99.5	9.423	98.625	9.513

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	98-24	99-12	98-22	99-11
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.73	94.75	94.68	94.71
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	94.01
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.98	93.98	93.95	93.98
20-year Notional Gilt £50,000 32nds of 100%				
Dec	107-23	107-29	107-20	108-08

* Latest available figures

TOKYO

Modest rally emerges as clouds lift

UNFAVOURABLE influences receded and share prices staged a moderate rally in Tokyo yesterday after four losing sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average added 65.38 to 17,273.53, but volume was still meagre at 279.74m shares, against Monday's 278.67m. Advances led losers 423 to 376, with 166 issues unchanged.

Fears that North Korean President Kim Il Sung was dead proved unfounded, and there was no large-scale selling on Wall Street on Monday. This encouraged investors, but there were no new factors to encourage active buying. Low-priced and medium-priced incentive-backed stocks were sought.

Sumitomo Heavy Industries was popular on a newspaper report that the company planned to build a large leisure centre, including a marina, at its huge dockyard site on Miura Peninsula in Kanagawa Prefecture. It rose Y80, a daily limit gain, to Y296 in active trading of 18.57m shares.

News that North Korean President Kim Il Sung might not have been assassinated after all pushed share prices down on the Seoul Stock Exchange. The composite stock index fell 1.65 to 257.86 after a 4.15 rise on Monday on reports of Kim's death.

Japan Steel Works, also an investor favourite involved in a redevelopment project, was still on the active list with 18.99m shares changing hands. Its price, however, fell Y8 to Y402. Among similar issues, Tokyo Land added Y38 to Y632, with 10.48m shares traded, and Nikkatsu rose Y23 to Y161.

Blue chips also firmed on buying by investment trusts and financial institutions. Toshiba increased Y36 to Y605 on trading of 4.30m shares while Fujitsu advanced Y30 to Y1,030 and NEC Y20 to Y1,930. Matsushita Electric Industrial finished at Y1,780, up Y40, and Fuji Photo Film at Y3,130, up Y80.

Yamazaki jumped Y60 to Y1,590 and Kao Y70 to Y1,600. Investors also bought Kandenko for capital gains, pushing it up Y290 to Y5,100, an all-time high surpassing the Y5,080 registered on August 14. Pacific Metals rose Y38 on rumours of cornering by speculators.

Sankyo and Takeda, both biotechnology stocks, finished Y30 higher at Y1,370 and Y40 up at Y2,200, respectively. But large-capital utilities, steels and shipbuilding were mixed.

Bond prices opened firm, reflecting the tone of the US bond market on Monday, but turned down later. The yield on the benchmark 6.2 per cent government bond maturing in July 1995 began the day at 5.160 per cent compared with 5.165 per cent on Monday but gradually rose to close at 5.185 per cent. Analysts said the bond had been favoured by dealers for arbitrage and its yield had dropped too low.

By contrast, the 5.1 per cent government bond due in June 1996 was bought for its relatively low price, and the yield dropped from 5.625 per cent to 5.590 per cent.

EUROPE

Frankfurt focuses on high-tech

LACKLUSTRE trading marked many bourses yesterday and they moved mainly on domestic factors. Some continuing reaction was seen to the worries over insider dealing in the US, but most share price changes in Europe were marginal.

Frankfurt firmed in a technical reaction to the falls of the past few sessions, but trading was thin ahead of today's holiday. The Commerzbank index, set at mid-session, was 3.3 higher at 1,975.2.

Most of the session's action centred on the high-technology sector where Nixdorf lost DM 17.70 to DM 689.80 on its plans to launch a DM 500m Eurobond with share warrants. In the same sector Siemens rose DM 4.40 to DM 692.50. The group said after the end of trading it would pay an unchanged dividend.

The car sector generally followed the upward trend, with Daimler scoring a DM 7 rise to DM 1,263 and VW up DM 4 to DM 428.50. BMW, however, fell DM 3 to DM 561.

Chemicals included BASF with a DM 3.20 gain to DM 268.10, Bayer which rose DM 1.80 to DM 296.50 and Hoechst which added DM 1.30 to DM 255.

Hopes of improved third-quarter results lifted banks. Deutsche, which announced it was considering bidding for BankAmerica's Italian unit, rose DM 5 to DM 792. Commerzbank added DM 2.30 to DM 302 and Dresdner DM 4.50 to DM 393.50.

Engineer Mannesmann added 30 pfg to DM 190.30.

In the bond market long maturities added 30 basis points, but isolated losses of up to 15 basis points were seen at the short end.

The Bundesbank sold DM 78m worth of domestic paper after selling DM 104.7m on Monday.

Amsterdam closed higher after gains among the multinationals. However, some caution was noted in the wake of the insider trading scandal on Wall Street.

Among internationals Royal Dutch added Fl 1.20 to Fl 208.70 and Unilever Fl 5 to Fl 498.50. Philips, however, lost Fl 1.10 to Fl 44.20.

Zurich closed little changed as investors, particularly from abroad, remained on the sidelines following Wall Street's overnight decline.

Among chemicals Sandoz bearer continued to fall, losing SFr 100 to SFr 10,000. However, Ciba-Geigy firmed SFr 25 to SFr 3,400.

Paris was overshadowed by the assassination of Renault chief Georges Besse, and share prices showed little direction, ending mixed to easier. The approaching close of the monthly trading account helped to depress the market.

Construction issues eased, with Bouygues down FFr 7 to FFr 1,275 and Lafarge-Coppée off FFr 9 at FFr 1,306.

Advances included Peugeot, up FFr 5 at FFr 1,095, and Printemps, up FFr 20 at FFr 526.

Milan fell back to close mixed after a modest upturn in early trading attributed partly to the opening of the new bourse month.

Leading industrials included Fiat, down L130 to L14,470, Montedison, up L35 at L2,955, and Olivetti, L700 lower at L13,250.

Brussels continued Monday's fall as a dispute in the coalition about regional spending kept buyers out of the market. Petrofina went against the trend, rising BFr 20 to BFr 9,420.

Holding group GBL, which has a stake in Drexel Burnham Lambert, the US securities house, subpoenaed by the Securities and Exchange Commission, fell BFr 180 to BFr 3,800 in heavy trading.

Stockholm was again depressed by the possibility of government austerity measures, but trading was generally calmer than on Monday. The Veckans Affarer index dropped 2.1 to 925.1, or 36.4 below the record of 961.5 reached last Wednesday.

Oslo firmed slightly after a two-day sell-off as investors bought selectively in blue chips.

Madrid also rose, with communication stocks leading the advance.

LONDON

Insider case continues to unsettle

THE FINANCIAL markets in London had another nervous session, with share prices again lower on worries about Wall Street and the Boesky affair and by gilts unsettled by sterling's dull performance.

Equities opened sharply lower, tried to rally but then grew increasingly nervous as Wall Street's opening approached. When New York turned easier in early trading, London share prices fell back to their lowest levels of the day.

The FT-SE 100 index fell 11.1 to 1,617.5, and the FT Ordinary index lost 6.9 to 1,271.6.

The oil sector was depressed by an absence of firm news from the Opec pricing committee and consequent bearish comments from industry analysts. BP was down 8p at 691p.

The gilt-edged market ended with losses of about ⅛ of a point, steadying in late trading when the pound came off its day's low.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39.

SOUTH AFRICA

LATE bargain-hunting lifted golds off their lows after the sector had extended Monday's falls.

Among golds Driefontein closed 25 cents down at R68.75 while Buffelsfontein and Free State Consolidated were steady at R82 and R52.50, respectively.

Mining financial Anglo American fell 50 cents to R67 while Gold Fields was unchanged at R60. Rustenburg Platinum lost R1 to R46, but De Beers, the diamond group, added 25 cents to R33.25.

Industrials closed mixed but with an easier bias.

AUSTRALIA

FOR A SEVENTH successive trading day, share prices retreated in Sydney as profit-taking continued and a further fall in the bullion price kept up the pressure on golds.

The gold index lost 43 to 1,503.2 for a two-day fall of 127.5 while the All Ordinaries index ended 11.9 down at 1,314.8 after some late bargain-hunting had lifted it above its day's lows.

Among golds Central Norseman dropped 80 cents to A$12.80 after losing 70 cents on Monday while Kidston and Poseidon each eased 10 cents to A$7.60 and A$4.90, respectively.

Diversified metals followed the trend, with CRA off 34 cents at A$6.66 and Bougainville 12 cents down at A$2.88.

Bond Corp, which has sold an apartment building it bought in Hong Kong last month, eased 5 cents to A$2.65.

In the banking sector ANZ, which has announced slightly higher profits, was 4 cents lower at A$5.32 after falling 14 cents on Monday.

SINGAPORE

TECHNICAL factors helped to boost Singapore which has been in an oversold position for the past few sessions.

However, some bargain-hunting and short-covering were partly offset by caution over the political relationship between Singapore and Malaysia after the Israeli President's visit to Singapore.

The Straits Times industrial index closed 13.52 higher at 895.48.

Among banks Malay Banking rose 24 cents to S$5.20, OCBC 10 cents to S$9.15, OUB 6 cents to S$3.70 and UOB 10 cents to S$4.68.

Blue chips closed showing mostly small gains across the board. Genting was 20 cents higher at S$5.90, Singapore Press 5 cents at S$8.30, Haw Par Brothers 9 cents at S$3.08 and Straits Trading 2 cents at S$3.66. Sime Darby was steady at S$1.82.

HONG KONG

UNCERTAINTY ahead of a government land auction today kept many investors on the sidelines in Hong Kong. However, despite the thin trading, the Hang Seng index closed 7.08 up at 2,249.97 after late bargain-hunting had lifted the market indicator from a loss of almost 12 early in the session.

Reaction was muted to an announcement by Canada's Husky Oil that it had held talks with Cheung Kong on a possible takeover. Cheung Kong was unchanged at HK$32 as was its affiliate Hutchison Whampoa at HK$41.

Elsewhere, China Gas fell HK$10 to HK$18.20, and Hongkong Electric was steady at HK$10.10.

CANADA

THE BROAD decline begun on Monday continued in Toronto although golds, after registering steep falls on Monday following the lower bullion price, regained some lost ground.

Dome Mines, Echo Bay and Lac Minerals each traded C$⅛ higher at C$10⅛, C$29⅞ and C$26¼, respectively.

Metals and minings traded mixed while industrials were lower with the trend. Oils also edged lower.

Montreal was generally lower although some gains were seen among industrials.

SECTION III

FINANCIAL TIMES SURVEY

This survey is an integral part of the Financial Times and is not for sale separately

International Fund Management

Liberalisation of markets, coupled with telecommunications advances, are continuing to encourage a rapid diversification of portfolios. In the UK however there remains a lack of political consensus over the domestic consequences of such investment.

Costs under scrutiny

By Clive Wolman

You take the main road across the Scottish Lowlands and turn off at the signpost for the village of Gogar. Another turn into a winding, leafy lane and you enter an 11-acre estate with a well-manicured lawn and eighteenth-century Georgian country house at its centre.

This is the office of Walter Scott and Partners, one of the first specialist investment "boutiques" in the UK. Its location and style sum up the emerging, footloose industry of international fund management. For some futurologists, this sort of workplace is a prototype for their 21st-century vision of a world of cottage industries based on information and professional skills. Their operations can be anywhere—even a remote mountain top or island will do as long as it can be reached by cable or satellite—but their focus will be everywhere.

For fund managers, everywhere means the world, both in terms of clients and investments. The employees of Walter Scott are mainly Scots but their clients are entirely English and US pension funds. Their investments have been heavily in US and Japanese growth stocks but they have little in Scotland.

The rise of international portfolio investment has been made possible by the rapid improvements in international telecommunications and information networks. But the abandonment of exchange controls by many countries and the re-emergence of economic and financial liberalisation have also made international investment necessary. The consequent growth in international trade and multinational investment has produced large imbalances in the current accounts of trading nations which have to be offset by capital movements.

First, in the mid-1970s, the Arabs had to recycle their petro-dollars into Europe and America. Now Japan, with its mounting trade surpluses and a population bulge seeking new investment outlets to prepare for retirement, has taken over as the largest exporter of capital.

During the same period, the UK (and other European countries) removed its exchange controls and allowed the City of London to cash in on its experience in managing international securities and investment. US investors and pension funds are now following the example of their multinational companies by abandoning their traditional isolation and shifting more and more of their portfolios overseas.

But it is dangerous to present the growth of international investment management as the wave of the future.

The greatest period of international investment management, at least for the British Empire, was at the end of the nineteenth century, which was ended by the growth of nationalism and erection of trade barriers that are only now being dismantled. The rapid growth of international investment from Europe, America and the Far East could be forced into reverse again, albeit not easily, by a change of political climate.

For the conceptual and political issues about how much a nation's savings should be held in foreign assets are far from resolution. Even the UK, with its long tradition of foreign investments, has no political consensus on the issue. If a Labour government is elected in 1987-88, it will impose a heavy tax penalty on pension funds and other institutions that fail to cut back the proportion of their overseas assets to no more than five per cent.

Historically, one of the most powerful drives behind international investment has been the search for higher rates of return on capital. The Swedish stock market surged in 1982 when foreign, particularly US, investors "discovered" it and realised how cheap Swedish shares were compared to those of US or UK companies. Spain benefited from a similar phenomenon in 1984, West Germany and Italy in 1985 and the Philippines earlier this year.

Although some markets remain to be exploited once they are opened up fully to foreigners, for example Korea and Taiwan, the possibilities for discovering such inefficiencies are likely to diminish. For the ending of exchange controls and the increasing flows of funds around the globe have already led to a greater equalisation of anticipated returns on capital throughout the world.

The most powerful outstanding reason for diversification overseas is to reduce risk. For example, even if the UK economy deteriorates over the next 20 years, its pensioners in the 21st century could still enjoy a high standard of living from their holdings in foreign companies, the argument runs.

The most hawkish investment cosmopolitans argue that UK equity portfolios should hold no more than about nine per cent of their assets in the UK, as the capitalisation of the UK stock market accounts for only nine per cent of the capitalisation of all world markets. Analyses of how one stock market moves relative to the other, such as those produced by the London Business School (for the 1970s) and by Quantec, a New York investment research house, point to similar conclusions. Quantec's figure also suggest that currency fluctuations, far from adding to the risks of international investment, actually reduce them as a fall in one country's currency is often associated with a rise in its stock market.

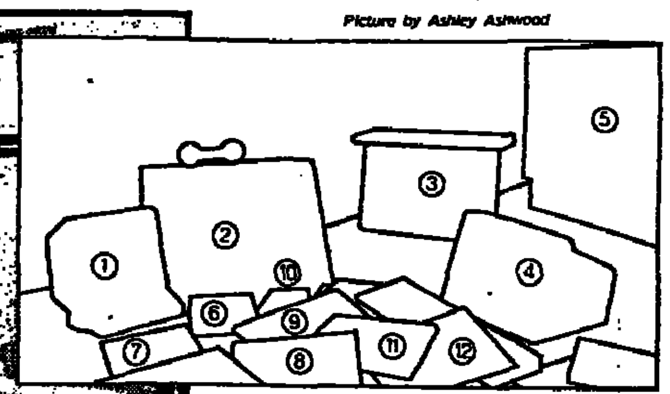
But increasing movements of capital between different markets made both by investors and within multinational corporations may invalidate these measures as a way of determining the optimum diversification.

A better approach may be to invest in a wide spread of companies around the world, paying little attention to the stock markets on which those increasingly multinational companies happen to be listed. Instead the investment manager should look to their patterns of trading and their exposures to different countries in terms of currency risk, market risk, political risk. The investment manager would be more concerned to have a portfolio balance across industrial sectors than across countries.

There are two types of argument against the hard-line internationalists. The more political argument, advanced by the Labour Party in the case of Britain, is that, by equalising the rates of return around the world, internationally mobile capital reduces investment in the UK which holds

Continued on Page 3

Picture by Ashley Ashwood



IN THIS SURVEY

The complete fund manager

TECHNOLOGY has endless implications for fund managers. What are the tools and reference sources of the job?

Michelle Barber heads the team of four that runs Legal & General's Far East and Pacific Basin portfolios. In a typical working day she might have recourse to:

1 Quick (Quotation Information Centre KK) terminal, which provides a prices and information service about Japanese equities from the Tokyo stock exchange.

2 Dealer board, for telephoning market makers and brokers.

3 IBM personal computer, which uses in-house and external software to highlight the composition of portfolios.

4 Reuter information service, including world news, foreign exchange, market indices and share prices worldwide.

5 Topic, primarily for London financial information and share price quotations.

6 Calculator.

7 Long-term Japanese equitity chart book, showing how share prices have moved over 11 years.

8 Stockbrokers' information book on Japanese equities.

9 Point and Figure charts of international markets, currencies and equities.

10 Japan Company Handbook, which includes results, earnings, perfomance and who's who.

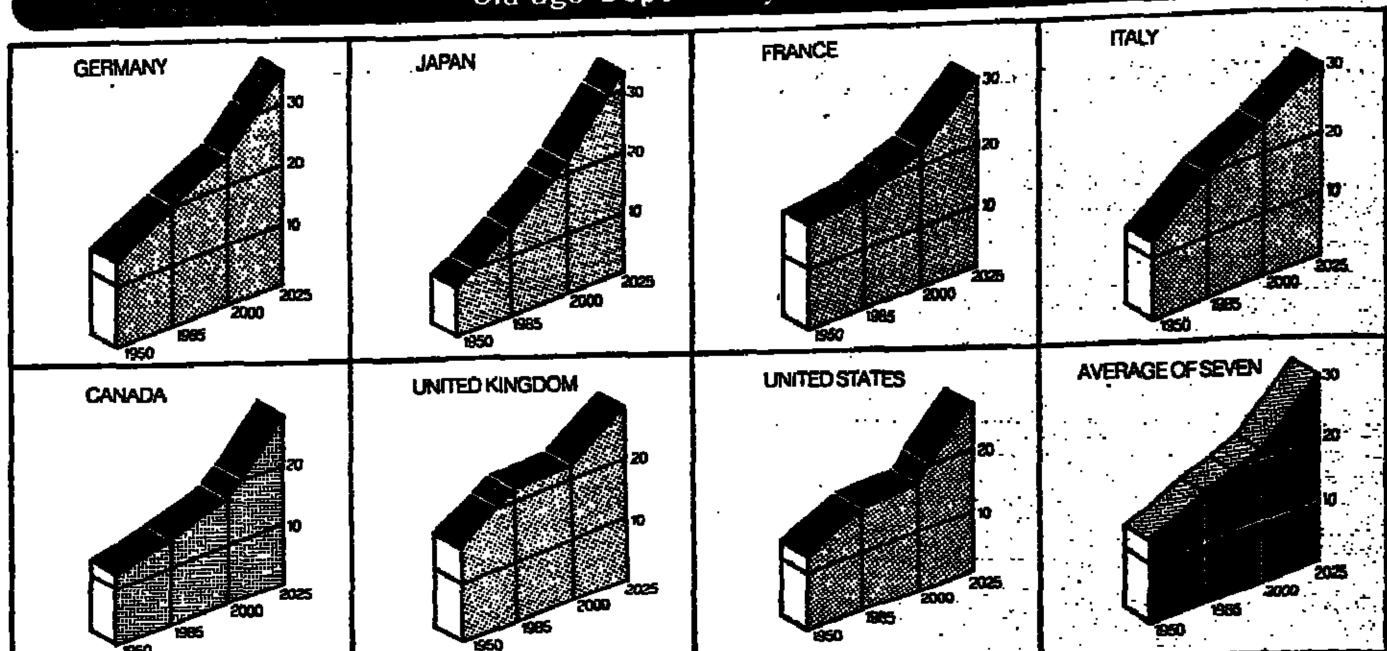
11 IBES (International Brokers Estimate System) compendium of brokers' estimates of world companies' future earnings.

12 China Products — a promotional booklet identifying opportunities that could arise in the future. This is not for everyday use, but illustrates the way a fund manager may spot opportunities.

At Easter, Legal & General's investment department will move to a new-technology floor in a building adjacent to its present headquarters in Queen Victoria Street. The four screens in our picture will then be replaced by two.

International Fund Management 2

Old-age Dependency Ratios



a) Population 65 and over as a per cent of population aged 15 to 64. b) 1950 to 1982 actual ratios; 1983 to 2025 projected values. UN medium variant. Source: OECD Demographic Data File; United Nations (1982): World Population Prospects.

Japanese Pension Funds

Explosion into the limelight

JAPAN'S CORPORATE pension industry has suddenly been thrust into the limelight by its explosive growth.

It has shown phenomenal growth in the past decade, increasing at a rate of 20 per cent a year, and reached Y20 trillion (million million) in June. The trend is underlined by the rapidly ageing Japanese population: the average life expectation of men and women is now 75 and 80 respectively.

This sobering fact has startled Japanese corporate management and encouraged it to develop pension schemes. At the same time, corporations are able to benefit through a special tax exemption on the reserves put into pension schemes.

According to a survey conducted by Nihon Keizai Shimbun, a leading economic daily, 83 per cent of the nation's corporations listed on the stock exchanges have set up pension fund schemes; and pension assets per company amounted to Y5.73bn in the fiscal year that ended in March.

There are two types of corporate pension fund in Japan: the Employees' Pension Plan, adopted by 250 corporations (26.1 per cent of the total), and the Tax-qualified Pension Plan, adopted by 529 companies (55.3 per cent). Seventeen per cent have adopted the two schemes.

Pension fund management has long been an exclusive province of trusts banks and life insurance companies, with their conventional policy of "low-risk and low-return." However, Japanese management houses found their cosy cartel encroached upon by nine foreign banks last year.

The Japanese financial authority thought pension funds should look for much higher returns by injecting a brand of foreign aggression. Management houses were expected to acquire asset management techniques and know-how from foreign institutions.

In fact, the first noticeable effect was on the reporting system of asset management. For the first time, the Pension Fund Association released a performance report measured in market value, including unrealised gains and profits of equity portfolios.

Mr Chris Nowakowski, president of InterSet, a performance-measuring company, welcomed this new development, saying: "Even if it covered only 240 funds (Y2,890bn) out of 1,109 schemes (Y12,348bn), it is a great improvement to have reported on the asset management, including unrealised gains and losses of equity portfolios, which demonstrates accurately the difference of performance between trust banks."

According to the report, by the Pension Fund Association, on the performance of asset management for the fiscal year that ended in March, the largest group with a total of 1,109 funds, trust banks, managed 85 per cent of the total assets, amounting to Y12.35 trillion.

The report said that some management houses made foreign exchange losses in their investment in foreign securities. However, these were written off by capital gains and evaluation profits of stocks and bonds, reflecting the rally of the Tokyo market.

Looking at the management houses' yield on investment (240 funds), trust banks achieved a yield of 9.54 per cent (compared with 9.50 in fiscal 1984), and life insurance companies 8.95 per cent (8.97 per cent in fiscal 1984). The average yield by trust banks was 0.59 per cent higher than those by life insurance companies. Including those unrealised gains and losses (arising from the difference between the book value and the market value of equity portfolios), the total yield by trust banks was 12.98 per cent.

The asset allocation by trust banks in fiscal 1985 was: public corporate bonds, 36.97 per cent (40.29 per cent in fiscal 1984); fund for government expenditure, 18.58 per cent (19.55 per cent); equities, 16.16 per cent (12.85 per cent); foreign currency denominated securities, 9.46 per cent (8.25 per cent); loans and related business 16.42 per cent (18.75 per cent). In achieving high returns, there was growing exposure in equities and foreign securities.

"This average total yield of 12.98 per cent is still lower than that of Tokkin funds at around 15 per cent," said InterSec, who attributed this to lower asset allocation to equities.

The Pension Fund Association intends to raise the equity proportion of the funds to 20 per cent of the total assets for fiscal 1986, from 15.65 per cent in 1985. It also plans to raise the property element of the funds to 5 per cent.

It has been almost a year since the first group of foreign banks set up trust banking business. Japan Bankers Trust, Morgan Trust and Chase Manhattan Trust formed the advance guard, and the remainder followed six months later. The aim of foreign banks is to capture a slice of the huge pension fund management business. Despite initial claims that the foreign institution would quickly win business, on the strength of expertise built up for a long period, they have found it difficult.

Foreign banks complain that they have little chance to display their strength if they do not have assets to manage. Some foreign trust banks are garnering the management business of foreign-owned manufacturing companies in Japan. Their initial strategy was to win the investment management of excess corporate money, in money trusts, until they are able to manage pension funds.

There are two kinds of money trust. One is the specified trust account, notably Tokkin, set up by cash-rich Japanese corporations or financial institutions depositing the funds in a trust bank. The funds are then managed by investment management companies affiliated with securities houses or banks. The trust bank gets a fee.

The other money trust is a fund trust, which can give the trust bank discretionary management. This area is most accessible to newcomers, and allows them to manage money without minimum restrictions.

The Tokkin management business is expected to grow from assets of $20bn in 1985 to $50bn by 1990, and the fund trust business from $12bn to $30bn, according to an estimate by the Union Bank of Switzerland's trust banking operation in Japan. However, even in Tokkin or fund trusts, foreign banks' performances had lacked sparkle as their expertise is in overseas markets.

Partly to provide business opportunities for the foreign trust banks, the Ministry of Finance allowed trust banks to handle certain foreign currency Tokkin and discretionary trusts. With these deregulatory measures, trust banks are able to establish foreign currency trusts for residents, and Yen and foreign currency trusts for non-residents, by using Tokkin and fund trusts.

The ministry's decision was welcomed by foreign banks as a golden opportunity to show their strength, because excessive cash in the Japanese private sector is seeking high returns overseas, shifting away from the persistent low interest rate in the domestic market. Chemical Trust Bank said it was sounded not only by regional or mutual banks, but also by medium and low-ranking commercial banks to help manage foreign assets.

In early October, Japan Bankers Trust, a trust banking subsidiary of Bankers Trust of New York, made a significant breakthrough in the Japanese pension fund market. It was the first among nine foreign banks to manage Japanese corporate pension funds. The bank has been assigned the management of welfare pension funds worth about Y8.85bn by Sumitomo Bank.

As a result of its absorption on October 1 of the financially-troubled Heiwa Sogo Bank, Sumitomo Bank's pension funds rose to Y65bn. Some 9 per cent of assets have been allocated to Japan Bankers Trust, with the remainder being divided between six traditional management houses.

Yoko Shibata

US Pension Plans

Rich returns on foreign ventures

US APPETITE for foreign securities continues to grow at a fast pace as overeas returns, compounded by the dollar's steep devaluation, far outrun those available from domestic investments.

Competition to manage these portfolios is becoming increasingly fierce as foreign firms flood into the US to carve out a niche. Meanwhile, domestic securities houses are rapidly enhancing their overeas investment skills as part of their heavy commitment to the globalisation of securities markets.

The opportunity to invest abroad continues to be taken more by large funds than by smaller ones. Studies by Greenwich Associates, a Connecticut research organisation, show that 77 per cent of pension funds with assets of more than $1bn invested abroad in 1985 (up from 65 per cent in 1984), with an additional 5 per cent saying they planned to venture abroad this year.

At the other end of the scale, only 8 per cent of plans with less than $20m of assets were invested abroad (2 per cent in1984), with 6 per cent planning to join the bandwagon this year.

Pension funds operating under the federal Government's Erisa (Employment Retirement Income Security Act) regulations, which account for the vast bulk, had assets invested outside the US totalling $30bn at June 30 1986, a dramatic rise from $15bn at the beginning of 1985, according to InterSec research, a Connecticut consultant on international diversification for pension managers.

Foreign investments now account for about 3.2 per cent of Erisa funds' assets, compared with 2.2 per cent at the end of 1984 and 1.8 per cent at the end of 1983.

This year's performance, which has outstripped InterSec's initial forecasts, is likely to ensure the $100bn to $130bn, or 6 to 8 per cent, of the fund's assets will be in international securities by 1989-90, InterSec believes.

Yet a note of caution was injected by figures which showed the first ever net outflow of funds from existing foreing investment accounts—$80m in the second quarter. This was largely explained by a shifting of funds to other managers as they earn track records in this new field, concern from some pension managers that the fast appreciation of foreign assets gives the funds a larger foreign exposure than planned, and a belief that these soaring rates of growth abroad cannot last.

Compounded by the sharp fall in the dollar, returns on foreign equity investments, measured in US dollar terms, were spectacular last year. West Germany led the way with a 135.4 per cent return measured by the Morgan Stanley Capital International Indices, followed by Switzerland (106.5 per cent), France (84.3 per cent), Netherlands (60.1 per cent), UK (51.8 per cent), Hong Kong (51.6 per cent) and Japan (43.1 per cent).

The portfolio to weightings shifted markedly last year, to Japan 33.3 per cent (from 41.5 per cent in 1984); UK 12.4 per cent (15.1 per cent) and Continental Europe 43.3 per cent (28.3 per cent).

The number of firms competing to manage these international assets of US pension funds continued to grow apace, according to InterSec's figures, from 80, at the end of 1983, to 91 at the end of last year; and to an estimated 160-180 per cent by 1989-90.

Many firms have moved the location of their international investment activities to the US from abroad, shifting the overall ratio of 68 per cent abroad and 32 per cent in the US, in 1983, to 53 per cent—47 per cent at the end of last year.

Moreover, many of the firms are locating their headquarters in the US with an appreciable improvement in their business. Thus, 72 per cent of the new monies from pension funds going into international investments were handled by firms with US head offices, compared with 54 per cent in 1984.

Pension funds and leading foreign asset managers agree that, broadly speaking, no more than the top two dozen firms compete successfully in this tough marketplace. Of manager rankings compiled annually by pensions and investment age in terms of assets managed only a handful of the top dozen firms are foreign-owned. The foreigners will probably have an even harder time of it as the leading US securities houses improve their commitment of capital to the expansion and liberalisation of the Tokyo and London markets.

S. G. Warburg & Co Inc, the US arm of the Warburg merchant bank in the Mercury Securities group, in London, is one of the British firms pushing hard for business in international fund management in the US. With equity research analysts based in the US, it finds that one approach to winning new business is to interest clients in its opinions on US stocks and then introduce them to its deep international expertise from its researchers in London, Hong Kong and Tokyo.

Foreign firms accept that they will never compete with the domestic firms in terms of volume of funds managed, but they believe they can carve out profitable niches by establishing clear identities derived from their foreign roots.

Mr George Russell, chairman of Frank Russell Company, a leading consultants to pension funds, based in Tacoma, Washington, thinks there will always be a role for small specialist fund managers to play, despite the dominance of the big firms.

Perhaps the earliest exponent of foreign investment for pension funds, first advocating the move 16 years ago, Mr Russell said he was happy to recommend small foreign management firms when they could perform a service to his clients.

He believes that foreign securities will continue to be an important part of investment strategies. Currency factors should not deter pension funds, because, over the past 16 years, the fluctuating value of the dollar has evened itself out to around plus or minus one half of one per cent.

For investors who want to take a shorter time-frame, the range of currency-hedging products is expanding rapidly. Goldman Sachs, the Wall Street securities dealer, has introduced, for example, Quantos. This product allows investors to hedge an unknown future volume of currency, so that, if an investment performs better than expected, the large sum is still covered.

Many factors beyond the superior returns were combining to make investment abroad more attractive and practicable, Goldman Sachs suggested at a recent conference. These included advances in communications, financial market deregulation, interdependence of economies, global perspectives in investment banking, and currency hedging techniques.

But asset managers, particularly foreign ones in the US, are having to fight harder in the crowded field to get a chance to show what they can do for pension and other funds.

Rod Oram

Individual Investors

Trusts provide route into foreign shares

BRITAIN is becoming a nation of shareholders. This was a recent headline summing up the findings of an opinion poll conducted for the TSB group in following up its successful flotation.

One of its main findings was that 7m people in Britain now held shares. Although this is one out of every six people it is still a low proportion compared with the US. Nevertheless it represents a trebling of private share ownership sincce 1983.

So, although there is still a long way to go before the Government's ideal of a share owning democracy is achieved, it can be claimed that the move is now under way.

This interest in direct share ownership was fostered by the Government privatisation issues, particularly British Telecom, and private issues such as TSB and Abbey Life.

However, this growth in many cases is confined to individuals holding just one organisation's shares—which they successfully obtained in their application; and one holding does not make a portfolio.

The survey does not as yet show whether private investors are generally following the move by institutions to expand their equity portfolios on an international basis.

However, direct investment is not the only route available to individuals into equity market. Unit trusts, unit-linked life contracts and investment trusts have for decades provided equity investment vehicles on a pooled basis. The past few years has seen a growing use by investors of unit trusts and unit-linked life bonds, with sales in both breaking all records this year. The increased use of investment trusts has been slower.

Where investors have used unit trusts or unit linked life assurance as their investment vehicle, the demand for an international portfolio is stedily growing. This is particularly apparent in the unit trust field where the demand for overseas funds has been strong and growing over the past few years.

The unit trust offers tend to adopt a flavour of the month approach, or at least a flavour of the year. The first major move overseas was to offer US funds. Then came Japanese funds and finally about two years ago fund managers discovered the investment potential of Europe, still the current overseas investment favourite.

Overseas trusts come in certain forms. There can be general investment funds in one country, such as US or Japanese funds. Or investment can be in a group of countries, such as Far East or the Pacific Basin funds. But it is now rare to find International funds as such. Investors are more and more building up their own portfolios of unit trusts, often with professional advice, and as such require specific overseas funds to enable them to get their own mix and spread of UK and overseas investments rather than have an international fund.

Indeed, there has been a demand for specialist overseas funds such as Japanese technology or smaller companies, mainly to fit in with trust portfolio requirements.

It is very difficult to get precise figures from the unit trust industry on the extent of investment into overseas trusts by unitholders. But there are at least as many overseas funds as there are UK funds.

Marketing of funds is not very difficult. One management group get the idea of a new overseas investment funds and if it is successful the rest of the groups follow.

Every management group has what it considers a core holding of funds in its product range which will include at least one US, one Japanese and now one European Fund.

This leads on to the problem of the necessary overseas investment expertise for these funds. The number of individual fund managers with this expertise is limited and they command high salaries and other benefits.

In general, unit trust groups have had little difficulty in attracting the necessary calibre. The expense margins on unit trust sales under current boom conditions are good and the management groups can meet the renumeration demands.

Nevertheless, there is a growing move for joint ventures between investment houses to provide overseas investments, in particular between life companies and the specialist investment houses.

Until recently, many life companies confined their equity investment portfolios to the UK market and have no in-house expertise in overseas market. For them it is quicker and easier to link with a specialist investment house to get that expertise. Far East investment specialists are in strong demand.

Some newly formed unit-linked life companies arrange their overseas investment by simply investing in overseas unit trusts, negotiating reduced charges for buying units.

Such tie-ups, whether by direct investment or through buying units, provide the investment houses with access to the retail market for their overseas investments that would not have be available otherwise. Life companies have country-wide marketing networks, either through their own direct sales forces or through independent intermediaries or both.

Investment trusts have been rather overlooked by the general investing public as a means of overseas equity investments, a somewhat ironic situation bearing in mind that investment trusts were first established over a century ago to provide the smaller investor with a means of investing overseas, which then meant in North America.

Investment trusts suffer certain marketing disadvantages compared with unit trusts and they took an investment blow over a decade ago when discounts between asset values and share prices widened to an average of 30 to 40 per cent.

In the past few years, they have changed their nature appreciably from being general equity funds to becoming highly specialised in one or more overseas markets. Now the investment trust industry is endevouring to get its products to a wider investment public.

The major investment trust groups are now developing investment trust portfolio services for the individual investor covering both UK and overseas investments.

Finally, the introduction of Personal Equity Plans at the beginning of next year offers the individual investor yet another route into equity investment, using both direct holdings and unit trusts. Though the scheme at present is intended to be solely a UK equity vehicle, once established the demand for international portfolios could well follow.

Eric Short

Components of change in old-age pension expenditure: 1960-83

	(1) Increase in expenditure ratio[1] %	Due to change in: (2) Demographic ratio %	(3) Beneficiary ratio %	(4) Transfer ratio %
Australia	46	18	41	−12
Austria	202	18	72	48
Canada	123	32	207	−45
Denmark	50	40	−5	13
Finland	67	69	−3	2
Germany	79	39	14	14
Ireland	132	−3	20	99
Italy	165	46	15	58
Japan	652	61	147	89
Luxembourg	63	24	42	−8
Netherlands	140	31	4	75
New Zealand	132	16	41	43
Norway	172	41	52	27
Sweden	176	42	22	60
Switzerland	265	35	−4	182
United Kingdom	90	28	19	25
United States	136	25	59	19
Average	158	33	44	41

Notes: (1) Old age pension expenditure to national income. If the changes of the ratios were expressed in absolute terms rather than in percentages, the first colums would be equal to the product of the second third and fourth columns.
(2) Population 65 and over to total population.
(3) Number of beneficiaries to population 65 and over.
(4) Average pension benefits to national income per capita of population.

Source: OECD, Annual National Accounts, Labour Force Statistics and Social Expenditure Data File.

European Pension Funds

Freedom dawns for private funds

UNTIL recently, the scope for pension investment in Europe has been extremely limited, so that international equity investment was something that happened elsewhere. Strong government controls effectively prevented a a major equity investment.

At one end, the major part of pension provision was through the state schemes operating on a pay-as-you-go basis, with very little private pension provision. Countries such as France, Italy and Spain were prominent in this approach.

West Germany has had a thriving private pension section on top or alongside its state provision. But this has operated on an unfunded basis, the pension liabilities being allowed as book reserves.

Countries such as Switzerland, Belgium and those in Scandinavia have thriving private pension provision. But there are strict controls over the investment policy that such funds can adopt, with the emphasis on fixed interest holdings. These funds have found their equity holdings restricted, with little scope for adopting an international approach to equity investment. Much greater use is made of insured schemes in private pension provision.

Switzerland, for example, allows pension funds to hold up to 100 per cent in bonds but only 30 per cent of assets in equities, while overseas equities are limited to 10 per cent.

Holland has an attitude to pension provision more akin to the UK or US, with a thriving private sector and a more relaxed attitude by the authorities towards investments. But even here the adoption of an international approach to portfolio management has been taken only by the major companies using local investment institutions. The total percentage of funds place overseas is small.

Those countries relying heavily on the state to provide the pension are finding that demographic and other factors are imposing increasingly heavy financial strains on public expenditure. Pay-as-you-go means that contributions received go straight out to pay the benefits.

To relieve this financial strain and cut government expenditure, the governments of the countries concerned are encouraging private pension provision on a pre-funding basis.

From a situation of complete controls, the governments of France, Italy and Spain are switching to complete freedom for these funded pension arrangements, including investment in overseas equities. But emphasis so far has tended to be on private pension provision, akin to personal pensions in the UK, with generous tax incentives to encourage people to make their own provision.

West Germany has also initiated moves to introduce funded pension arrangements. The use of book reserves implies that the employer is going to remain is business—a reasonable assumption in the boom days but risky under current conditions.

In the Scandanavian countries, Denmark, by virtue of its membership of the EEC is beginning to dismantle its exchange controls for individual investors, though as yet little has been said about the ability of institutions to invest overseas.

Sweden is discussing whether to follow this move, but as yet Norway has said nothing.

However, while the ice may be breaking, it will take a considerable time for the new climate to bring full benefits. Even if European pension funds are allowed to invest overseas, the attitude of pension managers needs to change radically.

European managers in general have relied much more heavily on fixed interest bond investment for their portfolios, even in countries like Holland and Switzerland that have allowed equity holdings. Indeed, in West Germany and Switzerland bond investment has produced steady real rates of return for decades and there has not been the incentive to invest in equities.

Secondly, when pension managers have moved into equities, they have in general kept their investments local and there has been little attempt to go overseas.

This has considerable implications for UK financial institutions wishing to move into the European pension investment market. They have heard of the liberalisation moves, and the potential this offers to market their global investment expertise and services. But often it is unknown territory for fund management.

It is going to take a major marketing effort from the UK institutions to get into the European fund management sector and a very long time before they have a major presence.

Eric Short

Costs under scrutiny

Continued from Page 1

down economic growth and increases unemployment.

The argument makes several dubious assumptions, even if its premise is accepted, that it is worth sacrificing the possible returns of pension funds to achieve greater domestic investment. But even if greater investment in the UK could be achieved, it might lead to greater rather than less unemployment, because of the substitution of capital for labour. In any case, the Labour proposals may well achieve no more than to encourage UK multinationals to increase their oversas investments to take up the slack caused by the cut-back in foreign portfolio investment.

The more sophisticated argument against the present scale of international investment both from the UK and from other countries claims that the main concern of pensioners is with their standard of living relative to the rest of their community. A UK employee would prefer the value of his pensions to be linked to the fortunes of the UK economy rather than the world as a whole, except perhaps to the extent that he will have to buy imported goods. Thus the proportion of assets invested overseas should arguably equal the proportion of national income spent on imports, ie, about 25 per cent.

The other leg of the argument focuses on the additional costs of overseas investment. These include the costs of gathering information about foreign companies and markets, of dealing and settling deals, the complications over collecting dividends and handling the withholding tax on dividends (especially for pension funds which are often unable to recover the tax), the costs of buying, selling and hedging foreign currency. This factor can reduce the expected returns from overseas investment significantly, perhaps by 2 per cent a year, and shifts the risk-reward trade-off in favour of a more modest level of diversification.

The high costs of overseas investment suggest that the willingness of investors and pension plan sponsors to diversify internationally has run ahead of their ability to implement such decisions effectively and judge how well, or badly, they are working out.

Some of the costs are unavoidable, particularly those of withholding taxes and settlements, although foreign stock exchanges (and UK fund managers) are now introducing electronic settlement systems and taxation treaties are being amended to exampt pension funds.

But the area in which there is greatest scope for cutting costs and boosting returns is the actual portfolio management of overseas portfolios. Over the past three years, the underperformance of UK and other international fund managers against the relevant international benchmark indices has been so serious that it cannot be explained merely by reference to dealing costs. Poor currency decisions (in particular hedging the dollar too early or too late), poor asset allocation (too little in Japan) and poor stock selection are all to blame.

A more radical approach proposed by some US consultants, such as Frank Russell, is to set up a core international equity portfolio on a passive basis, with no active selection of either stock market or individual shares. At the same time, small amounts of money are given to other houses, often "boutique" operations like Walter Scott's, to manage as part of a highly concentrated, specialist and risky fund.

Flows of funds

Hastening the revolution

IN 1975 non-domestic investment by the world's pension funds came to $6bn. By 1985 it had risen to $85bn, and on most projections it will hit $300bn in 1990.

These figures neatly sum up the recent surge towards internationalisation in the stock and bond markets of the major industrialised countries.

They do not, however, give any indication of the enormously uneven pattern of foreign investment, or of the slow revolution in fund management thinking in the US and Japan which underpins the faster growth expected over the next five years.

According to InterSec, the pension fund management consultants, the UK pension funds *in 1985 led the world in foreign* investment in both relative and absolute terms. The UK had $34bn overseas, representing 17 per cent of pension fund assets. This was mainly in equities and split between the US (50 per cent), Japan (25 per cent) and the rest.

The US invested $27bn (now estimated at $38bn)—again mainly in equities, with 40 per cent in Japan and the rest spread—which came to a little over 3 per cent of total assets. Japan invested $8bn, almost entirely in US government bonds, the Netherlands $5bn and Canada $4bn.

By 1990, according to InterSec, the US will have overtaken the UK (in absolute, but not relative, terms) with investments of $130bn, representing 8 per cent of pension fund assets. The UK will have risen to $84bn, or 25 per cent of total assets; and Japan will be close behind with $50bn (20 per cent).

Of course, pension funds are not the only source of non-domestic portfolio investment. They are the dominant force in US foreign investment, but in Japan the insurance companies have taken the lead (partly because of earthquake fears). And in the UK, of the £40bn invested abroad by UK pension funds, unit trusts and insurance companies at the end of 1984, less than half came from the pension funds.

Nevertheless, the figures for pension funds flows have been the most closely monitored, and it is the managers of these funds—especially in the US—*who are generally the trend-setters in overseas investment.*

French, German and Dutch fund managers, with restricted investment opportunities at home, have long accepted the need to invest overseas, and often hold more than half their portfolios in foreign securities.

Since the lifting of exchange controls in the UK (and Australia) British fund managers have been catching up. *In 1979* overseas investment by UK pension funds was 6 per cent of assets; at the end of 1985 it had risen to 17 per cent; and it is now closer to 20 per cent. For unit trusts, according to James Capel, the figures are 19.9 per cent and 34.4 per cent, and for insurance companies 4 per cent and 11 per cent.

Another perspective on the increase can be gained from the percentage of new pension fund money going abroad. According to the *WM* Company, 11 per cent of new money went abroad in 1979, rising to 24 per cent in 1980, 24 per cent in 1981, 25 per cent in 1982, 14 per cent in 1983, −6 per cent in 1984 and back to 28 per cent in 1985. The 1986 figure is again expected to be over 20 per cent.

Nobody seems quite sure why the figure dropped so dramatically in 1984, but since about half overseas investment is in the US, the UK fund managers were probably put off by the high dollar. What is undeniable is that, following the removal of controls, UK fund managers have eagerly embraced the two main arguments for diversification: spreading risk and exploiting the higher returns of some foreign markets.

The question now is no longer *why invest abroad?* but rather: what is the optimum level of foreign investment? According to Mr Paul Woolley, director of Baring Investment Management: "International investment provides scope for *increased returns and reduced* risk; but, beyond some point, the drawbacks of currency mismatch of assets and liabilities begin to manifest themselves." (In Australia, in 1985, the good local currency returns were completely absorbed by adverse currency movement.)

Could it be, as several analysts believe, that the UK has now reached its optimum level? *On the face of it, with the* UK's growth expected to decline relative to the major OECD countries, investors might be expected to expand their offshore portfolios.

But some expect UK fund managers merely to reshuffle the pack—switching, for example, from the US to Germany (which recorded equity returns of 90 per cent in 1985), or to the new markets in Korea, Taiwan and Portugal—while keeping the overall level of foreign investment at 20 to 25 per cent.

For one thing, there is no direct link between GNP growth and equity returns. As Phillips & Drew has pointed out, of the countries housing the world's six largest equity markets, the UK had the *lowest* average growth rate between 1976 and 1985 (1.8 per cent) but the second highest equity return (22.4 per cent). During the 1980s, return on overseas equities has actually been marginally below UK equities; and in 1985 the gap widened to UK 20.6 per cent, overseas 12.3 per cent.

Secondly, a new foreign investment theory—proposed by Mr Woolley—suggests that the UK is already close to the optimum level. His view is that the optimum risk level for a fund manager is struck where the proportion of portfolio investment in foreign securities corresponds to the degree of openness of an economy. In other words, where the proportion invested overseas equals *the import penetration of the* UK economy—which is about 25 per cent.

According to this view, the UK is close to optimum; Japan has a little way to catch up; and the US is due *for a huge leap* forward.

US pension fund managers, blessed with the world's biggest stockmarket, are famous for their insularity as the figure of only 3 per cent invested abroad illustrates. Despite the shift towards greater openness following a reinterpretation of the Employee Retirement Income Security Act (Erisa) in 1975—which suggested that fund managers should consider risk reduction as well as return enhancement in their investment policy—many still regard foreign investment as jumping off a cliff.

With more than 15 stock exchanges out-performing the US in 1985-86, the attractions of moving abroad are becoming more obvious, although those managers who missed the 1985-86 bonanza may feel it is too late to join the bandwagon.

Some funds now have up to 20 per cent abroad, but there are many more that still have nothing. However, it appears that a 10 per cent international allocation is now becoming more broadly *acceptable*, and even the conservative managers of the huge state employee pension funds are beginning to accept that some diversification is actually safer.

One institutional cause of the greater insularity of US fund managers may also be crumbling, thanks to the ingenuity of Morgan Guaranty. Whereas in the UK many funds—especially local authority pensions—hand complete control to the fund managers, in the US the fund managers can only operate within strict guidelines laid down by the company or local authority pensions officer.

Acting on the assumption that pensions officers, like most people, prefer to avoid taking decisions, Morgan recently wrote to all its pension fund clients saying that it proposed to *internationalise* its portfolio unless expressly told not to.

In Japan, the trend towards greater internationalisation has been promoted by the Government. To stem the rising yen, it has raised the limit on overseas holdings allowed to insurance companies and trust bank pension funds from 10 per cent to 30 per cent.

Few funds have more than 15 per cent overseas, but the growing trend is the move from foreign bonds into foreign equities. Until recently, nearly 10 per cent of foreign investment was in bonds, but between 1984 and 1985 the trade in *foreign* equities rose from $3.1bn to $10bn.

The Japanese, characteristically, are planning their move into overseas equities with precision. Some investment managers in the west believe they are learning the ropes through handing out a small amount of money to be managed in the UK or US, and then tracking the investments at home with much larger sums, thus avoiding large management fees. One thing is certain—the Japanese are losing *their bond fixation.*

David Goodhart

Currencies

When depreciation wipes out gains

THE FALL in the oil price has sent sterling skidding in the last year. It is now roughly where it started 12 months ago against the dollar, and considerably lower against European currencies and the yen. But, in the meantime, it has been subjected *to wide fluctuations.*

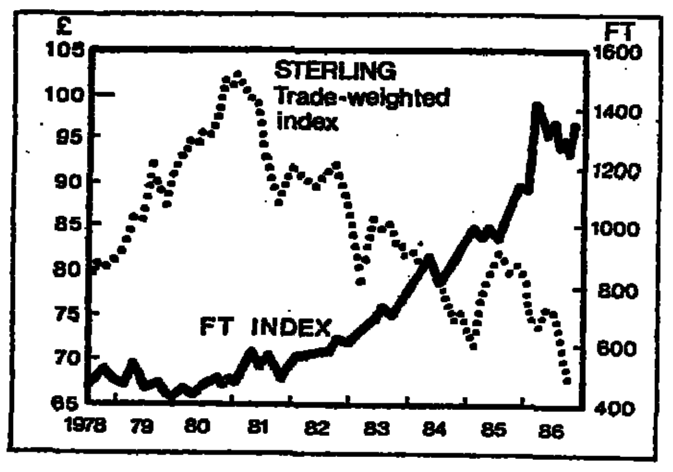
The job of UK fund managers has consequently been fraught with risks — and opportunities, too. Even if their analysis of a particular company's prospects is good, anything they gain from an appreciation in its share price can be more than wiped out by a depreciation of the currency in which it is denominated—or vice-versa.

There is little agreement among international fund managers about how to solve this problem. Some take the view that it is best to use the whole range of financial instruments—currency options, futures and back-to-back loans—to hedge against currency fluctuations. Others think it is seldom possible to add value by using these techniques, and that the way to *deal with an expected dollar* depreciation is to put less of their funds into America.

Crudely put, sometimes a currency prediction may be right, other times it will be wrong. On average, it will be neither right nor wrong; but whoever uses one of the financial instruments to hedge will be landed with the transaction cost.

Mr Kevin Packenham, chief executive of Foreign and Colonial, takes issue with this view: "An average performance must be the average. But some fund managers are better than the average. The art of our business is to add value by applying our skills to this market."

His firm's approach to currency management for the F&C Investment Trust is as follows. First, it works out an equity distribution by looking at the long-term growth potential of different countries. Then it works out a currency distribution. This is done not so much by looking at fundamentals—for considerable periods of time, currencies can be out of line with fundamentals—but by looking at capital flows. "If we like a currency, we take out a forward exchange contract," says Mr Packenham. "If we don't, we borrow in that currency."



A country's currency and equity market don't necessarily rise and fall *together*. There may be an inverse relationship.

There are tax advantages in *taking out a forward exchange* contract, rather than buying in the forex futures market. The former is seen by the authorities as an investment, even though there is no commitment to use the foreign exchange to buy foreign equities. The latter is seen as trading and therefore more speculative.

Ms Madaleine Hall, a European fund manager at Schroders, *says: "The situations when* you can hedge and make a profit are rare." One of these was in the run-up to the French presidential elections in 1981, she says, when it was pretty clear that an incoming socialist government would devalue.

This opinion is inevitably influenced by the fact that a European fund is concerned with the major European currencies, and that these (with the exception of sterling) are fixed against one another by the EMS. But it is backed up by a philosophy of gambling, too.

"It is instinctive when things are going well to get out, often before all the benefits have come in," says Ms Hall. "When things are going badly, though, the instinct is to hang on in. A *few years ago, a lot of managers* hedged the dollar a little too early and got burnt."

So her policy is to hedge rarely, but to use her view on currency movements to influ*ence the type of companies she* buys. "If you think the dollar is weak, then you put your money into German domestic companies, not exporting industries."

Mr Jasper Olivier, a director of Hambros who manages unit trusts, says unit trusts should be allowed to use a much wider range of sophisticated hedging instruments. At the moment, *they are unable* to use options and futures, and so are limited to hedging via back-to-back loans. However, he believes in hedging only when it looks as though there is going to be an "appreciable movement in the currency."

Alternatively, if he has strong views about where a currency is going to move, he will buy that currency and earn interest on it. At one point recently, for example, he had such a high opinion of the Deutsche Mark that he invested 50 per cent of the Hambros Investment Situations Fund in D-Marks.

Mr Jo Welman, a pension fund manager with Barings, says the fact that British pension funds have their liabilities in sterling does not preclude the use of hedging instruments. He prefers options to futures.

The disadvantage with this approach, he admits, is that options are a very costly instrument. "One has to be pretty convinced there is going to be a substantial move in the currency to use these instruments, because of the premium," he says. "A currency is like elastic. You know *it is going* to rebound, but you don't know when and how far."

The various hedging instruments are short-term instruments. From a longer-term perspective, Mr Welman argues that "currency thinking may be reflected in market thinking. In the long run, the currency and the economy tend to move together."

Such a view is opposed by Mr Howard Flight, who runs Guinness Mahon's investment department and believes in the very active management of currencies.

"In the long run," he says, quoting John Maynard Keynes, "we're all dead. If you don't manage currencies, you are doing fund management with an eye patch on."

Instead of believing that a country's currency and equity market are likely to go up and down together, he thinks there is generally an inverse relationship between the two. As a currency appreciates, it becomes difficult for that country's industry.

Nor does he believe that the cost of using hedging instruments is prohibitive. "The cost of cover is peanuts. The cost of not covering your exposure is that what you gain on equity performance, you can lose on currency exposure."

Guinness Mahon's approach to currency management in their global equity fund is as follows. First, it chooses what percentage of its funds it wishes to invest in each country. Second, the specialists in each country choose which indi*vidual* shares to buy. Third, the specialist currency team, which manages a currency fund, will arrange by the use of forward markets that the currency exposure in the equity fund is the same as that in the currency fund.

Why go to such lengths? "Because the question, 'shall I cover my US position?'," says Mr Flight, "begs the question of which currency to cover in."

Hugo Dixon

Regulation

Bilateral deals augment new laws at home

THE TOUGHER regulatory climate for investment managers has been highlighted by a series of developments in the US, UK and Japan over the past six months.

The bilateral agreements reached between the US Securities and Exchange Commission and their regulatory counterparts in Japan and the UK will facilitate the exchange of information about malpractice in the securities markets. Bilateral agreements with other countries are expected soon.

The other development is the laws recently passed in the UK and Japan which should end many of the abuses that have become part of the custom and practice of the industry. Until now, investment managers and advisers have been able to escape tight regulation because their businesses are low-risk and require little capital.

In the UK, the original impetus for the Financial Services Act, which became law earlier this month, was the collapse between 1980 and 1983 of several small investment management firms which had offered to put their clients' money into securities and futures contracts. The Act not only brings these firms under regulatory control, but will also lead to much tighter controls being imposed on the City's large, traditional fund management operations in the insurance companies, merchant banks and independent houses.

Under the structure that has emerged in the City over the past two years and is sanctioned by the Act, two self-regulating organisations (SROs) will be responsible for investment managers under the aegis of the Securities and Investments Board (SIB).

Many of the smaller firms that offer portfolio management services to clients (often through unit trusts) alongside brokerage and other advisory services are already members of the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA). FIMBRA was granted recognition as a regulatory body under a previous Act by the Department of Trade and Industry in 1983 and has already built up an extensive rule-book.

To keep tabs on an anticipated membership of several thousand small businesses and sole traders, however, is likely to prove a severe strain on the resources and management of the organisation which has already been embarrassed by the collapse of one of its member firms this summer.

The other SRO, the Investment Management Regulatory Organisation (IMRO) will focus more specifically on investment management houses, particularly the larger and longer-established pension fund, investment trust and unit trust managers. Its chief executive, Mr John Morgan, formerly investment manager of the British Rail pension fund, has already put down a marker in the draft rules he has been sending out to likely members and trade associations over the last few weeks. The proposed rules, to take effect towards the end of next year, have to provide an equivalent standard of investor protection to the rules of the SIB.

The basic philosophy of the draft rules of both the SIB and IMRO is that adequate protection can be ensured through the full disclosure by fund managers of all forms of benefit they may receive from managing a client's money, and of all the conflicts of interest they face. Disclosure, therefore, will be the main defence against the covert forms of charging, particularly as applied to pension fund clients, which have thrived over the past two decades.

Benefits given by brokers to fund managers, in the form of research services and paid for out of the clients' money, will be permitted. But more personal benefits — for example, a sponsored trip to Japan, even if it includes company visits — will probably be banned.

Some fund management houses, such as County Investment Managers, the National Westminster bank subsidiary, which have always relied exclusively on explicit fees, object to the "disclosure-is-enough" stance. They say that their competitors will appear to undercut them with lower charges, while making up the difference through hidden benefits.

The most important of these benefits are the use of high-charging in-house unit trusts for pension fund clients and "continuaton and aggregation", which allows the fund manager to charge his clients a higher rate of stockbroking commission than he actually has to pay.

The response of the SIB and IMRO to such objections is that pension fund trustees generally have access to experienced professional advice. Provided all the forms of indirect benefit are disclosed in the investment management contract, trustees will be able to decide whether they are being offered value for money.

There are three possible objections to this argument. First, it does not apply to inexperienced individuals, such as unit trust and life assurance investors. Second, even pension fund trustees often lack the expertise to appreciate the significance of all the clauses in small print about indirect benefits. At best, the rules will be providing extra work for lawyers and pension fund consultants.

Third, and perhaps most important, pension fund trustees themselves are often quite happy to play the game of obfuscation. This may allow them to claim to the ultimate customers and beneficiaries of pension funds — the pensioners, employees and directors of the sponsoring companies — that they are doing a fine job by negotiating such a low investment management charge. This characteristic of trustees is most apparent in local authority pension funds, which have traditionally employed stockbrokers as fund managers because they have taken all their fees in the form of commission.

The extent to which penson fund trustees will have to seek authorisation as investment advisers under the Act has yet to be clarified, although most are exepected to side-step the obligations.

Some of the other abuses being tackled include: the excessive commission-generating turnover of portfolios ("churning"); the preferential treatment of some funds and clients over others, for example by booking to them shares which have already risen in value after being bought by the managers; and inappropriate risk-taking. More general rules are also being drawn up on the financial soundness ("capital adequacy") of investment management business, and on the marketing of managed funds and the presentation to customers of an investment performance record.

The Japanese Investment Advisory Act, passed in May, is much less comprehensive than its UK counterpart, and the detailed rules giving effect to the Act have not yet been finalised. The main issues being tackled are those capital adequacy, the employment of financially experienced and "socially acceptable" (ie non-criminal) advisers and the prevention of some of the more obvious conflicts of interest. For example, the rules should end the traditional practice in the corporate finance departments of the securities houses of dumping the residue of unsuccessful new share issues in their managed funds.

But the more subtle types of hidden benefit enjoyed by Japanese fund management houses and the use of hard-selling techniques by door-to-door salesmen are not being tackled in any systematic way at this stage.

In a further reform, which is expected to raise standards of performance and disclosure in Japan, the Ministry of Finance, under pressure from the UK and US authorities, has agreed to open up investment management to foreign houses by granting them licences to manage discretionary funds. Some foreign firms, however, still fear, that other administrative obstacles will be placed in their way.

Clive Wolman

Ashley Ashwood

Mr John Morgan, chief executive of the Investment Management Regulatory Organisation, has put down a marker in the draft rules he has been sending to likely members and trade associations.

New theories

Managers in US and UK differ on academia's value

TIME-HONOURED City adages about the stock market, such as, "Sell in May and go away," have traditionally been dismissed by business school professors of finance as no better than old wives' tales.

But a symposium held last December, in Brussels, was symptomatic of a development which may challenge the assumption that academic research into finance has generally been aimed at undermining the activities and livelihoods of professional fund managers.

Ever since Dr Harry Markowitz developed modern portfolio theory in 1952, a growing body of volume of statistical analysis of share price movements and portfolio returns on both sides of the Atlantic has pointed to the same conclusion. Nearly all securities in which there is a liquid market are efficiently priced, it suggests; i.e. their prices fully take into account all available information about the underlying companies. Therefore fund managers should stop trying to pick individual stocks and confine their energies to minimising the riskiness of their portfolios through diversification.

The more entrepreneurial *alumni* of business schools and mathematics faculties in the US have succeeded in applying and marketing the results of their scholarship to investment management houses and pension plan sponsors. But in the UK the gap between academia and the City has probably been even wider than that between academia and industry.

In university lecture theatres, the efficient market theory is asserted as self-evident truth; on City trading floors, it is scorned as self-evident nonsense.

But the dichotomy has become more blurred over the last three years. On one side of the divide, a few City institutions, such as County Investment Management, Baring Brothers and Chase Manhattan Securities, have started marketing investment products to pension fund trustees that are based on the quantitative analysis of the volatility of securities.

The most widespread fund management product that the "quants" (financiers with an academic background in the quantitative sciences) have developed is that of portfolio insurance. This is designed to ensure that, in return for sacrificing some of his return in a bull market, the investor can protect himself against any significant losses in a bear market, by the use of a synthetic option.

On the other side of the divide, the general applicability of the efficient market theory has been challenged, and a growing number of studies published that have identified somewhat surprising exceptions to it.

One of the more general sceptics is Dr Desmond Corner, of the Esmee Fairburn centre for investment trusts and unit trusts at Exeter University: "The tests of market efficiency were first done on widely traded US shares. When they did research on Europe, they just used the big European companies." He believes that many larger investment trusts provide a good example of inefficient stock market pricing.

The returns from small quoted companies have been consistently higher than from their larger counterparts. Thus a shrewd manager could have achieved above-average returns by weighting his portfolio towards smaller companies.

He also believes that the conventional measures of riskiness, based on the apparent volatility of the securities, are often misleading because, in the less liquid stocks, the jobbers or marketmakers usually fail to change their quoted prices until another trade is done.

A symposium organised by the European Institute for Advanced Studies in Management, in December 1985, brought together most of the more specific exceptions to the efficient market theory which have been investigated by researchers over the last six years.

One of the first examples of market inefficiency to be spotted was the small-company effect—namely that the returns from small quoted companies have been consistently higher than from their larger counterparts. Thus a shrewd fund manager could have achieved above-average returns by weighting his portfolio towards smaller companies. This conclusion has been found to apply to the UK, US, Australian, Canadian, Japanese, Dutch and Finnish stock markets.

Another example of mispricing has been of companies on high yields. And the "junk" bond (but not equity) investments promoted by the US securities house, Drexel Burnham Lambert, have been the most successful attempt to exploit this anomaly over the last decade.

Most of the anomalies relate to the different times of the day and the year. Thus abnormally high returns can be achieved, particularly from holding small-company shares, in January, at least in the US and Canadian stock markets. In the UK, the most profitable month is April and the least profitable May, at least for shares in larger firms.

Other evidence suggests a weekend effect in most stock markets around the globe, which makes Mondays the most profitable day on which to hold shares.

A summary of these findings, together with an assessment of their implications, is being published in a book edited by Dr Elroy Dimson, senior lecturer in finance at the London Business School, who has himself analysed the evidence of a small-company effect.

Mr Dimson remains sceptical as to whether the existence of such examples of mispricing can be used to justify the employment of traditional active fund managers. Some managers may have out-performed the relevant stock market index by exploiting some of these anomalies; for example by concentrating on small companies, he says. But this may just reflect good luck rather than their skill in identifying the anomalies—and thus there may be little chance of their identifying other anomalies in the future.

Clive Wolman

Offshore Funds

Entry vehicle to specialist niches

OFFSHORE FUNDS are mutual funds with a similar structure to unit trusts, but which are based in tax-havens or low tax areas.

Since they operate outside the investor protection and tax regulations of major countries, they are able to invest in a broader range of instruments than onshore domestic investment companies. It is this flexibility, rather than specific tax loopholes, which is their main attraction for investors.

In the UK, the offshore funds' continuing popular reputation as vehicles for escaping the attention of the tax man is largely a legacy of the period before the 1984 Finance Act, when, after the suspension of exchange controls, there was a rapid outflow of cash to offshore centres, spurred on by a well-publicised tax loophole.

This was provided by the "roll-up" funds which converted income into capital gain. The 1984 Finance Act took away the main attraction of these funds when it laid down that any UK resident realising a gain from an offshore fund after January 1984 would have to pay income tax on his profit unless the investment concerned was approved as a "distributor" fund.

This destroyed the attractions of the "roll-up" funds for the bulk of UK investors, except for those facing retirement or other change in their tax status, making it advantageous for them to defer their tax liability.

"Distributor" funds have to make payment away each year of not less than 85 per cent of their income. A UK resident investing in such a fund is liable to income tax on the dividends he receives, and capital gains tax on profits made from selling shares.

This puts the taxation treatment of most offshore funds on a comparable footing with unit trusts for most UK investors, while, from some other points of view, offshore funds are disadvantageous.

First, their charges, both in terms of management costs and up-front fees, tend to be higher. Secondly, distributor status must be reapplied for each year, and the penalties for the investor of failure to achieve it can be severe. The investor can find that during the disqualification period he has to pay income tax on the whole of realised profits.

But if domestic investors, who would otherwise invest in unit trusts, were the backbone of the offshore industry's clientele, it would almost certainly be dead by now.

The offshore industry's future lies rather in its ability to provide a range of flexible investment vehicles that are not available through onshore vehicles to specialised investors and the growing pool of overseas and expatriate savers.

For instance, uncertainty over the taxation treatment of futures and options funds has inhibited their development in the UK, so they tend to be concentrated in offshore centres.

Offshore money funds provide the investor with wholesale foreign exchange and interest rates. These funds either take the form of single currency funds, or managed funds, where the fund manager switches between different currencies.

Offshore equity and bond funds provide access to specialised areas such as Eurobonds. Over the last two and a half years "umbrella" funds, which allow for switching between different types of instrument at a low cost and free of capital gains tax, have sprung up.

Gartmore Fund Managers, for instance, which pioneered the "umbrella" fund, says that its Jersey-based Capital Strategy Fund has 15 classes of shares, ranging from currency to equity to specialised investment areas.

For the enthusiasts, "umbrella" funds are the funds of the future because they are a flexible answer to increased volatility in world markets. The critics complain, however, that their performance relative to more traditional vehicles has not yet been fully tested, and that they contain potential pitfalls for investors who would be better off taking their capital gains tax liability every year, rather than only when they switch out of the fund.

Techniques for managing offshore funds vary widely, depending on location and the character of the fund. Funds managed by the Dutch Robeco group, for instance, count as offshore in the UK, but can obviously draw on a wealth of on-the-ground expertise. Funds managed from the Channel Islands, on the other hand, may be heavily dependent on input from outside.

This is particularly the case in the more specialised investment areas. While a single money fund may be effectively managed from Guernsey, restricted funds, such as those investing in small high-technology companies, need a great deal of help in day-to-day decision-making.

In these cases, the board of directors to the fund will make overall, directional decisions. Day-to-day running will effectively be organised by a fund manager elsewhere, who is paid a fee for his services. Decisions will be taken by an interchange of advisory and instructing telexes. In the Channel Islands, management will amount to clerical and administrative functions and also make sure that all investments fall within the scope of the fund. The larger Channel Islands fund management organisations, however, are sometimes more autonomous than this. Hill Samuel's Jersey operation, for instance, has locally qualified staff since it is also involved in providing discretionary services to private clients.

Currently, the scope for marketing offshore funds tends to be limited. In the UK, they can effectively be advertised only through an "expert" adviser.

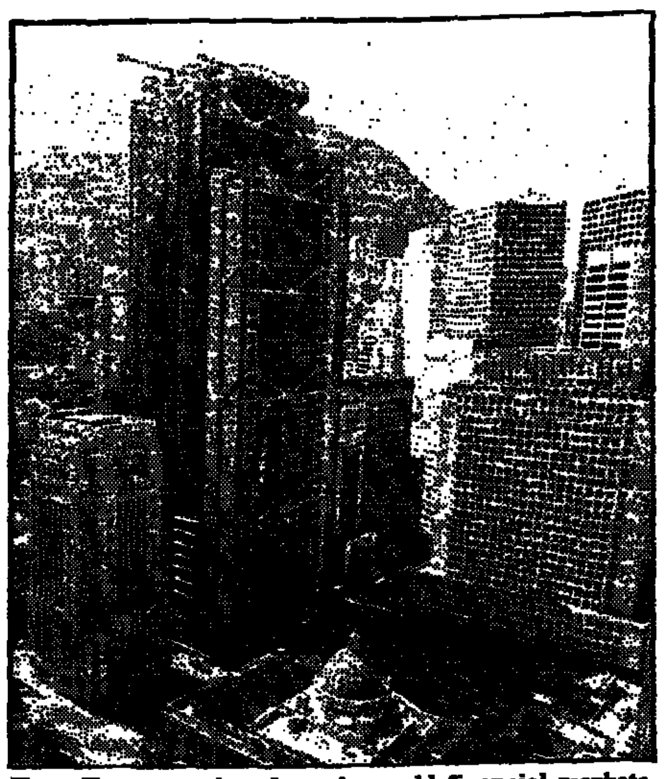
The Financial Services Bill, which incorporates EEC directives on offshore funds which must be in place in EEC countries by 1989, could break down the barriers to direct advertisement, although it is also likely to tighten the disclosure requirements for all classes of investment vehicle.

Meanwhile, the EEC legislation has negative implications for non-EEC funds. It will allow EEC funds to be freely marketed across borders, but non-EEC centres, including the Channel Islands and Hong Kong, will have to apply to individual countries for recognition.

In the UK, offshore funds have shed most of their erstwhile attractions for domestic investors. But the provision of specialist investment opportunities ensures them a continued niche.

According to offshore fund managers, the market for their services keeps on growing. They compare the rise of their industry to that of unit trusts in the domestic markets: offshore funds are the offshore response to the need for efficient management of a growing pool of savings worldwide. "Of course we're growing" said one, "we're the mutual funds side of the Eurobond market."

Clare Pearson



Hong Kong, a major player in world financial markets. EEC legislation will allow EEC funds to be freely marketed across borders, but other centres, including Hong Kong and the Channel Islands, will have to apply to individual countries for recognition.

Management Houses

Shopping round the boutiques

SMALL IS beautiful—or so we were told in the 1970s. But in the world of international fund management, it's still an open question whether the big battalions or the small specialist boutiques offer clients the best deal.

A fund manager who works for a large, diversified financial conglomerate has the backing of a prestige name and sophisticated marketing men. But enterprising top-flight analysts can hive themselves off into small independent management units (the so-called boutiques). The question is how to weigh up the relative advantages and disadvantages of each strategy.

For Mr Norman Pilkington, of Geoffrey Morley, the London-based equity managers, independence is vital. Geoffrey Morley—which falls into the "boutique" category—began life in 1971, founded by a former head of investment management at Shell. Remunerated solely by fee income levied on the market value of its funds under management, its decision-making is free from bias—"we're under no pressure in a takeover bid situation," says Mr Pilkington.

The implication is that a fund manager without such autonomy—owned, perhaps, by a merchant bank—has inevitably compromised its independence and will favour the stocks with which its parent group has links. And, Mr Pilkington points out, a small independent manager is not necessarily handicapped by lack of resources that prevent him from operating a global network of offices or following obscure companies and sectors—because "a fund manager is buying shares, not businesses."

But Mr Pilkington may be overstating the case. Conflicts of interest loom less large when a fund manager is choosing stocks for a highly diversified international portfolio. And fund managers are in the business of trying to add value above and beyond sector averages—which means searching out inefficiently priced stocks which are likely to be easily found only in less accessible markets.

"You don't need to leave London to get good research on Hitachi—but you need to do so to find a growing company in Australia," says an investment manager from a leading UK merchant bank.

This is more important in some client markets than others. A UK pension fund might want its managers to invest in small companies at the margin—but would opt mainly for a conservatively planned portfolio run by a single fund management group.

A US fund, on the other hand, might take the more radical approach of assembling a dozen separate fund managers, and expect them each to contribute a different area of specialised knowledge. For that, the fund manager needs the time and manpower to do original research.

In turn, the "boutique" manager like Geoffrey Morley, which lays claim to expertise in all three big markets (Europe, the US and the Pacific), can be hit hard by one year's mediocre performance. Without a big name behind him, the boutique manager is held more harshly to account if his funds slip behind in performance tables. Geoffrey Morley for instance lost ground with customers in 1983 when rapid expansion in its clientele coincided with a mistaken decision to go bearish at the beginning of the year.

So what does the fund management arm of a big conglomerate offer the customer as compensation for the potential risks of conflicts of interest? Some of the advantages are more obvious than others.

A fund management team backed by financial strength of a big institution can weather crises—such as the loss of key research staff—which could otherwise severely damage client confidence. In turn, it is better able to meet onerous expenses such as the escalating cost of professional indemnity insurance. It can more easily satisfy the capital adequacy tests imposed by US regulators if it plans a North American subsidiary. And, in the words of one London-based fund manager, a big name—like Schroder, Mercury Warburg or Touche Remnant "helps enormously—in a very intangible way—opening doors for new business."

Japan is the fund management market where those big names are most useful as marketing tools. That is especially true at a time when Mercury Warburg and Schroders, to name but two British fund managers, are applying for the new discretionary fund management licences recently announced by Tokyo finance ministry officials (hitherto, they have been confined to offering advisory services to Japanese clients).

Firstly, there is the general perception that Japanese clients want to see a track record of size and substance behind any financial services institutions with which they do business. "If you want to pitch to Japanese fund management clients, a Tokyo office is essential," says a Warburg fund manager in London.

Second, Japanese investors have traditionally paid less regard to what foreigners might see as conflicts of interest. In other words, they would expect a management house to offer a reduced fee on the understanding that it would make up the difference by earning money from dealing profits—and only a financial conglomerate incorporating broking and market-making arms can do that.

A further strength for the big institution's fund management arm is the package of services it can construct from its parent's resources. Mercury Warburg, the British financial services conglomerate, has adopted a holding company structure—which is one way of demonstrating determination to preclude conflicts of interest between, say, S. G. Warburg, the merchant bank, and Rowe and Pitman, its associated stockbroker. But the structure also means that in marketing its fund management expertise the group's investment management arm can offer the client the full range of banking services.

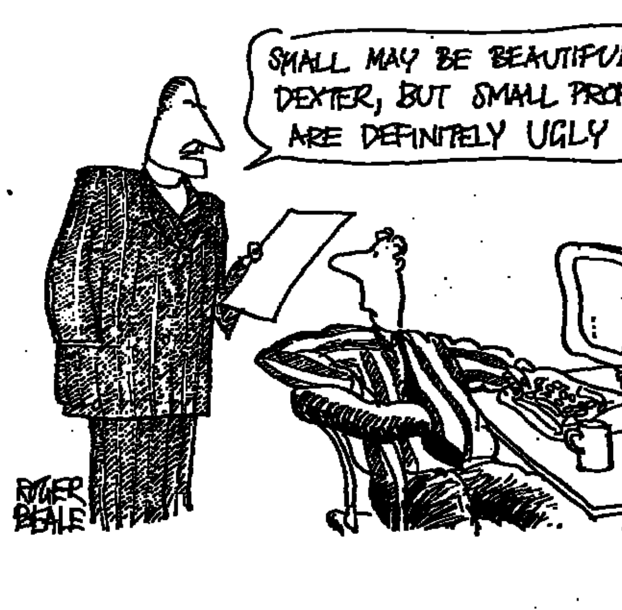
That leaves the problem of motivating individual managers (which it is about, more than paying them six-figure salaries).

Arguably, the way to cut out the bureaucratic centralisation that hampers enterprise is to split up fund management personnel into small quasi-autonomous teams, on the marketing and the research side.

In London, for instance, Schroder has already distanced its investment management arm from the parent merchant bank (their offices are several hundred yards apart—expressing physically the "Chinese Wall" separating the two functions and preventing conficts of interest). But, within investment management, Schroder now has three distinct companies—Schroder Investment Management (serving the UK), Schroder Capital Management (for the US), and Schroder Investment Management KK (in Tokyo). Each has its own business development team.

In turn, within the UK company the fund managers are divided into a team specialising in fixed income investments, another team making decisions about overseas investment, and a group of UK "balance managers" taking a broader view.

Nick Bunker



Management charges

Fees emerge into the open

THE LOW charges imposed by UK fund managers was always one of the puzzles in the pre-Big Bang City.

Whereas the UK was one of the world's most expensive financial centres in which to buy or sell shares, because of stockbrokers' minimum commissions, the enforced broker-jobber distinction and stamp duty, it also appeared to be one of the cheapest places to employ a fund manager.

The paradox was partly explained by the existence of hidden charges. The most common hidden cost was the ability of merchant banks, other large fund management houses and most of all stockbrokers who were also fund managers, to pocket some of the stockbroking commissions for themselves by issuing their own contract notes at commission rates above the true rates. This form of remuneration accounted for more than half the total income of some fund management operations.

But with the ending of minimum commissions, most UK fund managers, with a few exceptions, have been abandoning this form of hidden charge. Even the large stockbroking-fund management firms, such as Phillips and Drew, De Zoete and Bevan, and Fielding Newson-Smith, have started to charge explicit fees, at least for their new clients. The only major exception to this development is believed to be the stockbroking firm, Cazenove and Co.

Most of these firms have raised their charges to compensate for this loss of income, albeit only partially. Most merchant banks have increased their fees by between 40 and 50 per cent. At the same time, many of the smaller independent houses, particularly the Scottish ones such as Martin Currie which have achieved strong performances, have been able to raise their fees.

The introduction of transparent charge scales has now made it clearer that London and Edinburgh are the cheapest centres in the world for portfolio investment management. The going rate for a portfolio of UK domestic equities or a "balanced fund"—which contains some overseas stocks—is between 0.15 and 0.25 per cent a year for funds with assets of between £10m and £50m.

For larger funds, the rate falls to 0.1 or 0.125 per cent. And for ultra-large sums the fees can be squeezed to below 0.1 per cent, as the British Rail pension fund administrators have been demonstrating in their negotiations with the six fund managers who have been allocated their £4.5bn portfolio of assets.

Offsetting these pressures has been the general rise in assets under management, a consequence of rising stock markets and, until recently, net cash inflows into pension funds. Another factor has been the growth in overseas investment on which the management charges and profit margins are higher. Overseas management charges, when quoted explicitly, are typically 25 per cent more than domestic charges.

However, some fund management houses continue to charge indirect fees for overseas portfolio management. Some charge a levy on the value of equity transactions in overseas markets, typically 0.5 per cent per year. As turnover in overseas portfolios can be as high as 100 per cent, a pension fund will often have to pay out more for the management of its overseas assets, which account on average for only 20 per cent of the total, than for its domestic assets.

International fund management can also be remunerative because of the substantial benefits given by Japanese and US brokers to those fund managers that provide them with a high volume of commission. The benefits can cover everything from the provision of screens and information services to sponsored overseas trips. Currency transactions carried out at below best terms can also boost a fund manager's income.

For fund management houses with a large retail arm, the most lucrative way of charging pension fund clients for overseas investments is by channelling their assets through in-house unit trusts which specialise in particular overseas markets. The annual management charges of unit trusts are 0.75 to 1.0 per cent (although some houses give rebates).

But Mr John Wigley, of R. Watson and Sons, one of the leading firms of consulting actuaries, estimates that, even after all the hidden charges in the UK are allowed for, the going rates in the UK are probably only half those in the US. Even the largest US funds can be charged 0.35 per cent per year. "We should not be too hawkish about fees in the UK. They remain low by international standards," he says. European fund managers, such as the Germans and the Swiss, are charging rates similar to those in the US.

These discrepancies have created export opportunities for UK fund managers in the US pension fund market. Despite lengthy, expensive journeys across North America meeting potential clients, often with little success, most UK firms have achieved a high return on their marketing investment because of the higher fees. A small US fund, of say \$20m, will often be willing to pay 0.6 to 0.7 per cent per year to its managers.

At the same time, the entry of such US investment firms as Merrill Lynch and Citicorp into the UK is having an impact on the job market in London, as their higher fees enable them to offer those fund managers with the most impressive track records substantial salary increases. Whereas the average fund manager in a merchant bank or insurance company earns £30,000 to £40,000 a year—more if he has expertise in particular overseas markets, less if he is based in Scotland—the US firms have been willing to pay up to £100,000 a year including bonuses. And the smaller independent houses, such as Gartmore and Fidelity, offer equity stakes as an alternative attraction.

The profit and loss accounts of UK fund management houses are being squeezed by the upward pressure on salary levels, also a product of the general rise in City salaries since 1983, and by a rise in other costs such as liability and fidelity insurance.

Fidelity International, the London offshoot of a US company, has adopted a different approach. Its fees are high, 0.75 per cent for smaller funds of up to £25m falling to 0.5 per cent for larger funds. But they have no hidden charges or benefits from their UK or overseas funds, and can demonstrate an impressive long-term performance record.

"Most UK managers have low charges and low performance, but our philosophy is to look for higher value added and charge more," said Mr Neil Curtis. The philosophy has put off some potential clients, but their pension funds under management have risen sharply from £140m to £350m over the last year.

One development, the result of changes in the rules for US pension funds, is likely to be the introduction of performance-related fees. Although the merchant bank subsidiary Guinness Mahon Investment Management introduced them to the UK in 1984, pension fund trustees have been wary about their benefits. Unless there is symmetry between the bonuses and penalties for under and out-performance, fund managers may be tempted to take unduly high risks to increase their chances of winning the bonus.

Clive Wolman

Passive management

Pension plan sponsors help provide the impetus

THE DRAMATIC growth in passively managed index-matching funds in the US, UK and Japan over the last two years represents the fruits of a sustained 20-year academic critique of the performance of the traditional active stock-picking, sector-swapping fund manager.

In the US, the assets in passively managed equity funds accounted for over $100bn at the start of this year, or 5 per cent of the US equity assets of pension funds. The first and largest passive fund management group, Wells Fargo Investment Advisers, a subsidiary of the San Francisco bank, has seen its assets under management grow from $14bn at the start of 1985 to over $40bn today.

In the UK, Wells Fargo made an unsuccessful attempt to sell its passive management services between 1980 and 1983. But it closed its London marketing operations just as pension fund trustees were beginning to show an interest. As a result, the pickings have been left mainly to the investment management subsidiaries of the large clearing banks. Their total funds under management are now about £3bn, or 2 per cent of total pension fund assets in UK equities. In-house pension funds using a passive approach include Mars, Rank Xerox and, in a less systematic way, the Post Office and British Telecom.

In Japan, passively managed funds have been launched by the securities houses only in the last 15 months, but they have grown rapidly. In contrast to their Anglo-Saxon counterparts, they have attracted a large clientele of private investors, who have suffered from the poor performance of the large securities houses' investment trusts. The most successful fund so far is that launched by Nikko in February, which is the first one to track the entire first section of the Tokyo Stock Exchange.

The main reason for the growth of passive management's popularity has been the realisation, among pension plan sponsors and other employers of fund managers, that active managers have been consistently under-performing when measured against the relevant stock market index.

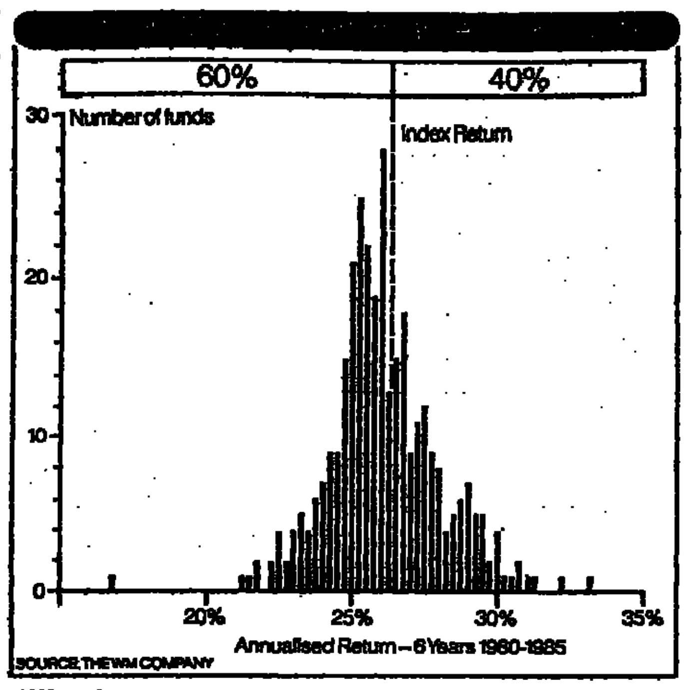
In Japan, a fund launched by Nikko is the first to track the entire first section of the Tokyo Stock Exchange.

That realisation has arisen partly through their increasing use of sophisticated performance measurement services, which have highlighted just what a bad patch fund managers have been going through over the past three years. US fund managers on average under performed the Standard and Poors 500 index, one of the most common benchmarks of returns from the US stock market, in each of the years from 1983 to 1985.

At the same time, some of the technical obstacles which diminished the attractions of an index-matching fund have been removed. One is the deregulation of financial markets and the removal of minimum commissions, in 1975 in New York and this year in London. Passive fund managers no longer pay for research they do not need when they are obliged to buy or sell stock. The growth of programme trading and other methods of by-passing the traditional chain of brokers and market-makers has given them greater scope for cutting dealing costs.

The other development has been in computer power and databases, where further possibilities have been created for cutting dealing costs which would otherwise lead to consistent under-performance by the fund. Electronics have been harnessed in each of the three ways most commonly used to match an index; full replication, sectoral sampling and risk-based sampling.

Full replication is the method used by Wells Fargo in its giant S and P 500, which has over



$23bn of assets. In the UK, it is used by the pension fund consultants Frank Russell, who manage funds with the stockbroking firm, Quilter Goodison, to track the 730 to 740 stocks in the FT-Actuaries All Share index. Every stock is bought in its correct weighting, and all dividends are re-invested in approximately the same proportions.

Although the system is highly mechanistic and requires minimal human judgement, the transactions costs can be high, because of the relatively small purchases that have to be made.

As a result, the Frank Russell fund in the UK typically under-performs the index by about 0.2 per cent per year, although this shortfall should be reduced in the wake of the Big Bang deregulation.

Wells Fargo is in a stronger position because of its size. First, many of the transations it makes for the S and P 500 fund are cross-overs with other funds at zero cost. Its bank of computers is also constantly analysing the opportunities the market throws up through programme-trading and other deals that will allow it to invest relatively small amounts of cash in individual stocks at low or zero transaction costs. Because the fund is so large, an extra $50,000 in one stock will not unbalance the portfolio.

Because of the size and range of its "inventory", Wells Fargo has also become a large-scale lender of stock to market-makers and other traders who have sold short. In some years, the fees from stock-lending can exceed transactions costs, so that the fund is able to beat the index.

The other two methods are more suitable for funds which are not able to exploit economies of scale as thoroughly and efficiently as Wells Fargo, or which aim to track an index containing far more than 500 stocks.

Sectoral sampling is a method popularised in the US by the Bankers Trust, which has also set up a similar operation in the UK. Its S & P 500 fund invest in about 110 of the largest companies, representing 70 per cent of the market capitalisation of the index, and another 160 of the smaller companies which are chosen as a representative sample of the all the industrial sectors in the index. The main weakness of this approach is that it fails to take into account riskiness which is not related to industrial sectors.

Full replication is the method used by Wells Fargo in its giant S and P 500, which has over S23bn of assets.

The other method of sampling is to select a representative sample of stocks on the basis of their historic risk (volatility), rather than sectoral, characteristics. This is the method used by two of the largest index-matching managers in the UK Barclays and County bank, a National Westminster subsidiary, and by Chase Manhattan bank. All are using the same database developed by Barra, a company set up by academics at the University of California in Berkeley.

Some users fear that this database, on which the risk characteristics of stocks are based, does not stretch back far enough. There is an additional problem of whether the fund manager should substitute his own judgment if there are reasons for thinking that the riskiness of a stock has fundamentally changed.

A further possibility for a smaller fund is to rely entirely on stock index futures and options. The difficulties in this approach are the lack of liquidity in the relevant contracts, particularly in the UK, legal inhibitions, particularly on pension funds, and the risk of pricing anomalies.

Over the next few years, the biggest growth area is likely to be in international passive funds, particularly as US investors look for greater opportunities in overseas equity markets in which they lack the expertise to pick individual stocks. Well over $1bn is already invested in funds linked to international stock market indices, of which the most popular are the Morgan Stanley Capital International indices. The UK has been lagging behind, and an attempt, by River and Mercantile Investment Management, to launch a £150m international fund in July failed to attract support.

Clive Wolman

Marketing of fund managers

Joint operations can make sense

FOR YEARS the famous international fund manager John Templeton ran modest amounts of money out of his Lyford Cay, Bahamas, mansion. For regulatory reasons, he based his mutual fund, Templeton Growth, in Toronto, and only limited numbers of other clients received the benefit of his pioneering efforts in global portfolio management during the sixties and early seventies.

Only in the late seventies did the marketing men move in. New US mutual funds were launched; there was an entry to the pension fund market; and the funds under management multiplied. In the past five-and-a-half years the assets under Templeton's control have grown from $1.2bn to $8.1bn, although the investment performance has been nowhere near as good as in the early years. Marketing counts for a lot.

In the mutual fund business, techniques of marketing have been developed over a very long period. Most funds are marketed through intermediaries or direct salesmen, backed up by advertising campaigns. It is simpler within national markets than in the offshore business, when clients may be much more difficult and expensive to reach.

So fundamental is marketing to the success of retail business that the investment side can become subsidiary, to the extent that it can even be contracted out. Truly exceptional investment performance will sell itself, but in practice that is rarely achieved for long, and certainly not across the wide ranges of specialist funds which are now usually offered by fund management groups.

But at the level of institutional clients, the emphasis tends to be different. Performance is regularly monitored and there is usually regular personal contact between client and fund manager. Marketing is therefore tied in more closely to the investment process.

The experience with international Erisa funds, the global elements of the portfolios of US pension plans, has been that the sheer cost of transatlantic marketing has loaded the dice in favour of the bigger players.

One or two British specialists, such as Martin Currie of Edinburgh, have achieved success, but bigger operations such as J. P. Morgan, Barings and Morgan Grenfell have made the running.

In such circumstances, there is a good deal of logic in joint operations, with an American house providing a local marketing framework while the overseas firm contributes the global investment expertise.

Rowe Price Fleming, a joint venture between T. Rowe Price and Robert Fleming, has been in operation for seven years and has topped the $2bn mark for funds under management.

But such relationships can only last so long as the interests of the partners do not start to conflict, which will happen when the American firms grow keen to develop their own international expertise.

American fund managers are now making a much more aggressive push into the international fund management business, and their superior marketing connections with existing domestic Erisa clients make them tough competition for British rivals. But the market is growing so fast that there is still room for a variety of players.

Nevertheless the international fund managers based in London are now looking for other outlets, notably in Japan where the outflow of investment capital is creating major opportunities. So far most of the money has been absorbed by dollar bond funds, but significant resources are now starting to come London's way.

For instance, Schroder says that something like 40 per cent of its global business is now being generated by the marketing operation it has started in Tokyo. Robert Fleming is also selling hard in Tokyo, having again chosen a local partner, this time Yasuda Trust and Banking.

Entry costs are even higher in Japan than in the US, so the bigger institutions have a major advantage. But within the US the relatively small and specialist fund management firm can be successful, within the framework of marketing services and analysis established by independent intermediaries such as Frank Russell.

Some of the bigger London managers have also been tackling the potential of Continental Europe, but the pickings appear to have been fairly lean so far, with the Netherlands the best of an unexciting bunch. Some managers claim they see potential in France and Switzerland, however.

The arrival of Frank Russell and others on the international stage raises the question of whether "boutiques" might be able to make more of an impact on the global scene. But there are formidable hurdles.

To start with, the performance figures which are so important in sorting out the sheep from the goats within the domestic institutional market in the US are not yet available in the right quality for global managers.

Secondly, the logistics of client contact across half the globe are so expensive and time-consuming that the number of client accounts that can be serviced by a single executive is significantly less than for domestic managers in the US or the UK.

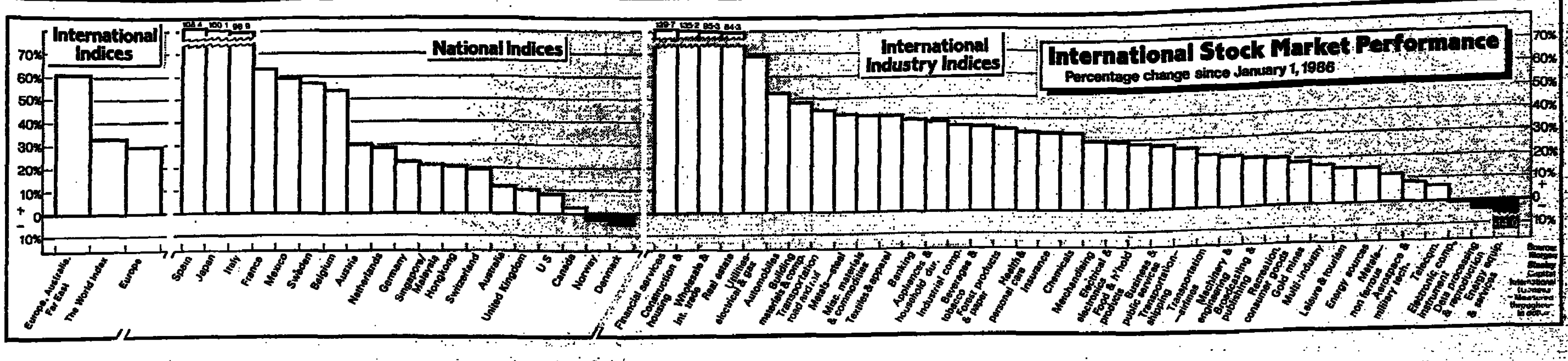
That means the investment organisations have to employ more people in order to achieve a given level of funds under management. They also need to carry a bigger research and administration overhead (though global brokerage groups are now seeking to deliver research and trading facilities directly to fund managers almost wherever in the world they may be located).

Generally speaking, a sizeable organisation, with branches and other representation in key centres around the world, is still required to give comfort to clients. But many of the international managers are now generating lengthy enough performance records — five years or more of global management — for their proven achievements to have some relevance to potential new clients, one way or the other.

In the marketing sense, however, there are various ways of selling a global product. Simple claims of likely outperformance compared with a domestic product may not be the most effective.

Clients may be seeking a currency hedge, or risk reduction through diversification. They may even be looking for tax benefits, or for a way around existing or threatened exchange controls. Swiss banks have very effectively marketed themselves as offering capital preservation services over the years, without ever having to resort to measurement of performance.

Barry Riley



Performance measurement

Managers say the world index overlooks their objectives

INTERNATIONAL INVESTMENT managers have been on the counter-attack against their performance assessors over the past 18 months. Their protest is over the methods of measuring their investment returns against the benchmarks provided by a selection of stock market indices.

The results from those measurements have *not* been flattering. The sample of UK international pension fund managers collected by the WM *Company underperformed in* each of the past six years since 1980, except for 1983. The Morgan Stanley Capital International World Index (MSCIWI), excluding the UK, is the most common benchmark for comparison.

But many managers are now challenging the MSCIWI. They object to its construction and argue that, in any case, the comparisons are based on a misunderstanding of their objectives in running an internationally diversified portfolio.

According to Mr Philip Henderson, of the Merchant Navy Officers' pension fund: "Nobody gets near to Capital International. You either under-perform or out-perform by a large amount. It bears no relationship to what you can achieve."

The index was developed by the *Capital International* Perspective company, based in Geneva, and sold to Morgan Stanley, the US investment bank, last year. The construction of such an index, which covers 19 different countries, was fraught with both conceptual and practical difficulties.

Most issues have been resolved in a non-controversial way. These include the differing definitions of equity (warrants, convertibles, preference shares, B-class shares), the establishment of mid-market prices in stock markets with low liquidity and price transparency, and the treatment of withholding tax on dividends and of currency movements.

The criticisms of the fund managers have focused on two more fundamental difficulties which are interrelated. MSCIWI is criticised, on the one hand, for being too much of a market-leaders index and, on the other, for giving too much weight to stocks that are closely held and very difficult or impossible for outside investors to buy.

The "market-leaders" criticism has been used to explain the under-performance of the US portfolios of most domestic and overseas managers in each of the past three years. Most managers were over-weight in the smaller rapid-growth companies in the technology sector whose shares have performed badly. However, relatively few of these companies are included in either the MSCIWI or the Standard and Poors 500 Index, which therefore set an artificially high benchmark, the managers claim.

The MSCIWI covers about 1,500 *stocks* from 19 countries, a number which has been increasing gradually — and will continue to do so. As an example of how the relatively small sample of stcks in MSCIWI can distort the accuracy of the benchmark, take the UK "portfolio" which is made up of slightly more than the 100 shares that comprise the FT-SE Index. The FT-SE itself has a tracking error of between 0.5 per cent and 1.0 per cent per year against the FT-Actuaries All-Share Index, widely considered to be the broadest and most accurate reflection of the fortunes of the UK stock market.

Nevertheless, some fund managers believe that a world market-leaders index is the best indicator of the type of performance to be expected from an international fund manager. In his asset allocation, he is often concerned more with the balance between different industrial sectors through investment in, mainly, multinational companies, rather than the allocation between their different countries of *origin*.

According to Mr Jim McLoughlin, of Phillips and Drew fund managers: "The Capital International index is probably about as good as can be done for giving a generalised impression. But there might be a case for an index of just large international companies, which do a substantial part of their trading outside their own countries."

At the same time, other indices have been developed, particularly in the US, which cover just lower capitalisation stocks. For both the UK and US stock markets, there is also a wide range of industrial sectoral indices, which can be used as benchmarks. As far as pension fund trustees and sponsors are concerned, the correct approach must be to define in advance with the fund managers *who are being employed which* index, or combination of indices, will be used as a benchmark.

In the US, many pension plan sponsors are using tailor-made international indices to judge the investment managers they have employed. At the other end of the spectrum, Save and Prosper uses the UK All-Share index as the benchmark with which to compare its international performance. It thus rolls together its asset allocation and its stock selection when assessing performance.

The other criticism is that MSCIWI, *like* nearly all indices, takes no account of the difficulties of buying certain stocks, as all are weighted at their full market capitalisation. For example, the committee that decides the composition of the FT-Actuaries All-share index *has been strongly criticised for* insisting that both British Telecom and British Gas must enter the index at 100 per cent weighting at the prices fixed by the terms of the privatisation.

The objectors say that the Government continues to own *nearly half the shares in issue* which are therefore not available to investors, that individuals have been favoured over professional fund managers in the allocation of shares, and that the issues are underpriced to give the new shareholders an immediate profit when dealing begins. These factors have made it impossible to track the index, they claim.

It should be noted, however, that government stakes in privatised companies can also flatter the performance of fund managers when those companies *perform poorly (for example,* British Petroleum since 1981).

It was, however, the managers investing in Japan who brought these issues to a head. The scale of non-tradeable cross-holdings between Japanese companies has often made it difficult for foreign investors to buy shares in some sectors, *particularly* the banking sector. Until 1984, bank share prices were held down artificially and lagged well behind the Tokyo New Stock Exchange index, which foreign fund managers consistently out-performed. But in 1984 and 1985, their fortunes were reversed as bank shares soared.

Swedish banks and Swiss-registered companies are two other examples of companies that are represented in MSCIWI and in which foreigners find it difficult to invest, at least through conventional channels.

The Financial Times; Goldman Sachs, the US-based investment banking and brokerage firm; Wood Mackenzie, the UK stockbrokers; and the Institute and Faculty of Actuaries—will be producing, in January, a new world index covering about 2,000 companies from 24 countries. *Like* Capital International, several sub-indices will also be covered. But they have not yet devised a way of taking into account the availability of a stock rather than relying exclusively on market capitalisation.

Among unsuccessful attempts to find an objective standard to make such an allowance in the US, Boston fund management group, Grantham Mayo, dropped a project to develop an index based on the liquidity of shares, because of the difficulties of finding a meaningful measure.

Clive Wolman

Salaries

US banks push up London rewards

IN THE last year or so salaries in the City have soared. Phrases like "golden hello", "golden handcuffs" and "telephone digit salary" have lapsed into the vernacular and the apocryphal Old Etonian with his third from Oxford and £1m a year in "total compensation" for hollering down a telephone about Eurobonds all day has become part of popular mythology.

Eurobonds dealers, syndication specialists and heads of gilts tend to be the most highly compensated posts in the highly compensated City, but fund managers, particularly international fund managers are catching up fast.

Salaries of UK-based international fund managers (£000's)

Average years' experience	March '85	Sept '85	March '86	Sept '86
7+	30	34	53	80+
6	23	27	35	68
4½	17	22	29	45
3	14	18	23	32
1½	12	15	17.5	22

Figures are composites of vacancy, applicant and placement salaries, and represent guaranteed income

Source: Jonathan Wren

A recent study by the management consultancy arm of the accountants, Coopers & Lybrand, identified fund management as the next area of city employment where salaries are set to rise. Many observers suspect that, for international fund managers, the escalation has begun already.

"In the past few years demand for international fund managers has been high, and in recent months it has become even higher," said Mr Roger Steare, a senior consultant specialising in international fund management at the City recruitment consultancy, Jonathan Wren.

"The reason for this is simple:

"More and more companies have been coming to London to set up *fund management* operations. And at the same time the established concerns are expanding."

More and more companies have been coming to London to set up fund management operations. At the same time the established concerns are expanding. There simply are not enough experienced international fund managers around to fill all the available posts."

Overseas banks have emerged as one of the most dynamic sources of new competition in the international fund management sphere. In the past year or so a stream of US, Arab and Japanese banks have set up fund management operations in London.

The *Bank of America's* fund management subsidiary, BANCO, for example now manages $1.25bn of funds in London.

The US banks have not only increased the demand for fund managers in London, they have also changed the salary structure of the profession. Traditionally international fund managers have been more highly paid in New York than London. Firms like Goldman Sachs, Merrill Lynch and Fidelity have "imported" their high salaries to the UK — paying as much as £100,000 a year for top fund managers — thereby forcing the established UK houses to increase the salaries of their employees in order to remain competitive.

This trend has also affected overseas houses. The Japanese banks, for example, which have traditionally paid relatively low rates to fund managers in their domestic market, have been forced to increase salaries for their London operations.

Initially these foreign houses were lured to London because of its emergence as the international centre of capital trading. But the prospect of the City's emergence as the third international centre of equity dealing, after the Big Bang in October, has accelerated the flow of foreign houses into London.

This pattern has been reflected in changes in the *salary structure for international* fund managers. According to Mr Roger Steare of Jonathan Wren, the salaries of bond portfolio managers rose first, but over the past six or nine months those of international equity fund managers have followed suit.

The emergence of overseas banks as major players in the London-based international fund management sphere has been accompanied by an increase in domestic activity. New British-owned fund management concerns have surfaced and the long established contenders, such as the large insurance houses and banks, have restructured their operations.

Barclays Bank, for example, has recently separated its fund management division from the clearing bank. One of the chief reasons for the restructuring was to offer fund managers an independent, and more generous, salary structure.

Two of the largest British insurance houses, the Prudential and Legal & General, have, both recently separated their fund management activities from their core operations.

Many of these new, and many of the long-established operations, have embarked upon these launch and expansion programmes not because additional business has already been generated, but because they expect the Big Bang to catalyse an increase in London's share of international securities trading and for more funds to move into London for management.

The precedent set by the US markets after May Day, New York's equivalent to the Big Bang, in 1975 is certainly encouraging. May Day did succeed in revitalising the US securities markets and the flow of domestic and overseas fund management activity increased. So did fund managers' salaries.

In London, salaries have risen in advance of the Big Bang. Citing specific examples, or even drawing general guidelines to City salaries is notoriously difficult, and the fund management field is no exception. Yet Jonathan Wren estimates that an international fund manager at a decent firm with three or four years experience could expect to earn between £50,000 and £60,000 today, compared with between £25,000 and £30,000 two years ago.

For the very best international fund managers the rewards are, unsurprisingly, even higher. Jonathan Wren calculates that a top international fund manager could expect to earn around £100,000. Even a lower calibre manager, at a less prestigious firm, with less experience should earn around £20,000.

If salaries in London after the Big Bang follow the same pattern *as those in New York the* spread of salaries should widen.

Traditionally, demand for international fund managers, and hence the salaries they can claim, has been higher in some areas of the equity markets than in others. A year ago, for example, when the stock markets of Europe, in particular those in France and Italy, were especially buoyant, international fund managers with expertise in European equities were in high demand.

Today the picture is rather better balanced. Given that stock markets all over the world are unusually volatile there is no clear demand for one area of specialisation over another.

The career route to international fund management in London is relatively straightforward. The area tends to attract the more conventional, graduate entrants to the

May Day succeeded in revitalising the US securities markets. Fund management activity increased. So did fund managers' salaries. In London, salaries have risen in advance of Big Bang.

City than the 'barrow boy' wheelers and dealers who have flourished in other sectors.

The typical international fund manager, as Jonathan Wren depicts him or her, will have come straight into the City after graduation, generally in economics with a first or upper second class degree.

A few years, just one year for the high flyer, up to three for the main contenders, will be spent in another discipline, probably as a trainee investment analyst.

"But they will get their hands on funds sooner or later," said Mr Roger Steare. "And once they do there is no stopping them."

Yet even the whizziest of international fund managers the more immediate problem of coping with the increasing competition within the existing market-place. With so many new contenders in the market, international fund management is becoming more and more competitive, and clients increasingly fickle.

The board of trustees' half yearly review has now become quarterly. A poor performance in the quarterly review will call for some convincing excuses, a second poor performance will lose the business.

A longer-term problem is posed by the risk that London could lose share of the international fund management market to other financial centres.

Ostensibly the prospects for London fund managers seem bright. In recent years an increasing amount of US business has come to London; the Arabs have long regarded London as their chief centre for equity trading; and liberalisation in Japan is prompting the flow of Japanese funds into London too.

But New York and European based fund managers are as eager to coax this business out of London as the London-based firms are keen to attract it. Given that London banks operate under a more liberal regime than either their US or Japanese counterparts the portents for the City look good.

Alice Rawsthorn

Mr Roger Steare . . . "There simply aren't enough experienced international fund managers around to fill all the available posts."

Jasper Olivier, Hambros director: "a fund manager's life is much more exciting."

Kevin Pakenham, chief executive, Foreign and Colonial: "tremendous weight of travelling."

Investment Managers

Travel brings in the young

FUND MANAGERS, in the past, may have had an image of being old, staid and boring, but all that is changing. Now they are young, intellectually sharp, often women, and their job is increasingly seen as being a rather glamorous one.

There are several reasons for this. First, the internationalisation of fund management has meant that fund managers have to spend a lot of their time travelling.

In the days when institutional investors put only a tiny proportion of their funds abroad, they could use a third party's advice about which companies to invest in. But now, increased competition in the industry and pressure on them to add value to their portfolios has forced them to visit personally the companies they invest in.

This is what Mr Kevin Packenham, chief executive of Foreign and Colonial, has called, "a tremendous weight of travelling." It is quite common for fund managers to spend one tenth of their time travelling and not uncommon for it to be much more than that. An increasing number of firms have also been setting up overseas offices to follow what is happening in foreign markets from close up.

One effect has been to discourage older people with families, who may not be so keen on spending so much time away from home. Another has been to pull in younger people, who may find the prospect of foreign trips rather glamorous.

"The international side has an appeal to the young," says Mr Jasper Olivier, a director of Hambros. "The prospect of having three years in Hong Kong is a great attraction ... A fund manager's life is much more exciting than it was 15 years ago."

Ms Madeleine Hall, a European fund manager at Schroders, goes to the continent on business for a few days of intense meetings about once every month. Whether that is glamorous or not, she points out, depends on where and when she is going.

"If it is Switzerland in May, it may look glamorous; if it is Frankfurt in November, it's not!"

The second reason for the change in the type of people going into fund management is the increasing complexity of the job. Looking at the various sectors of British industry and making sure a portfolio is reasonably weighted in each is no longer good enough.

Foreign business has discouraged older people with families, who may not be keen on spending time away from home, but young people may find the travel glamorous

Fund managers are expected to be numerate, and an increasing number use computers. They are also expected to be familiar with the whole range of financial instruments, from back-to-back loans to options and futures, that can be used to maximise return or hedge against risk. Those who look after foreign portfolios are increasingly expected to be able to speak the languages of the countries they look after.

Mr Howard Flight, a 38-year-old who runs Guinness Mahon's investment department, says many fund managers over the age of 40 "simply cannot adjust to the present world." He thinks many young people are better at doing the job.

Young people have been given more and more responsibility. Mr Olivier says it is not unusual for people who have been in the business for three years to be given the job of running a portfolio—particularly international portfolios and unit trusts.

When it comes to pension funds, though, things are more traditional. "The trustees take a more conservative line," says Mr Olivier. "They often require an older man."

A third reason why fund management has taken on a higher profile, thinks Mr Jo Welman, a pension fund manager at Barings, is that it has been a reliable source of earnings. This has been particularly important for banks, which have been keen to develop sources of fee income. "We are in no way anything like the poor relations we once used to be," says Mr Welman.

"Periodically it becomes more or less glamorous to work in one or other area of the City, and the Big Bang doesn't apply to fund management as much as it does to some other areas. But, over the longer term, fund management has been catching up with other areas and it is probably a more stable employment."

The route into fund management has reflected the change in the role that fund managers are expected to play. Mr Pakenham says the ideal recruit is somebody with a good first degree and two or three years at a stockbroker. Mr Olivier says Hambros takes university recruits and then trains them up. A few years in accountancy are also thought to be a good training for fund management.

However, for every general rule, there are many exceptions. Mr Pakenham, for example, came to Foreign and Colonial from eight years at Amex Bank, where he was first the chief economist and then in charge of asset management.

He was head-hunted away to F&C three years ago. The main attraction to him was the chance to explore the services that the independent British manager could offer to the rich international private client. He felt what such clients needed was not bankers, but investment managers.

Ms Hall moved into Schroders' banking side in 1975, doing credit analysis and then investment analysis before finally moving into fund management in 1979. She thinks such a route is unusual and that, as a result of the Chinese walls being set up after Big Bang, it may become harder to move from banking to fund management.

Half a generation earlier, Mr Olivier took a not totally dissimilar route. He moved from Peat Marwick, the accountants, to Hambros 25 years ago as a dealer. Soon afterwards, he became its first investment manager and was responsible for setting up its fund management operations in the Far East.

Mr Flight has had a career in three continents. Starting off with an MBA in the US, he came back to Britain in 1970 to work for N.M. Rothschild in pension fund management. He then spent a period working for Wardley, the merchant bank owned by the Hongkong and Shanghai Bank, and in 1979 went to Guinness Mahon to develop its offshore fund business.

A more typical route was probably that of Mr Welman. He moved straight from Exeter University to fund management at Barings.

Hugo Dixon

Research

Outsiders relied on for advice

THE KIND of research organisation in which two people cover Japan and one (possibly only part-time) covers the US West Coast high-technology sector has to be taken with a pinch of salt. Add somebody in New York and a couple of analysts in London, and you have a worldwide network. Or do you?

Even within the national markets of the US and the UK it is comparatively rare for investment management businesses to conduct widespread fundamental research. The economics are such that it cannot often be profitable to do so. There are some exceptions in specialist sectors, where stockbroker research may not be available, but these are fairly unusual cases.

So there is a reliance on external research, almost always provided by securities firms. This must be still more true on a global scale, where the costs are much higher in view of the travel required and the expensive international communications links which are needed.

The really big money is absorbed by research into individual stocks, which requires a great deal of company visiting and the building up of enormous databases.

Despite its cost, such research has been quite widely available in countries where commissions are fixed, because it is an effective way of competing on a non-price basis. An intriguing question for the London market at present is whether the volume of research will slump because direct price competition is now permitted.

In the New York market, which was deregulated more than a decade ago, research has survived; but much of it has been concentrated into a relatively small number of giant securities houses which have a large enough business to be able to afford such an overhead.

Besides producing written work, for which they hope to be remunerated by commisssions from clients, such brokers' analysts can gain valuable publicity for their firms by being quoted in the press. They also promote their firms by giving talks and presentations at seminars.

A number of these giant firms, such as Merrill Lynch or Goldman Sachs, are now developing the concept of global equity research.

This is partly with the aim of satisfying the needs of global investors. But often it is also because analysts of industries such as electronics, pharmaceuticals or motor vehicles cannot serve the objectives even of local investors unless they analyse their sectors on a global basis.

However, international investors often pay less attention to the "bottom up," or stockpicking, aspects of portfolio management than do domestic investors. The "top down" approach places the attention on selecting markets and, perhaps, currencies.

Arguably, it is in arbitraging between different national markets that international investors can best exploit inefficiencies. In this area, small in-house teams of economists and analysts have a more plausible chance of generating worthwhile returns at an economic cost than they would within a reasonably efficiently priced domestic equity market.

Certainly, fund management groups must be able to demonstrate a strong capability in generating inputs to the asset allocation process, because this is how the various managers seek to differentiate themselves.

If they are all using the same generally available stockbroker research then it is not too easy to see how one management house can hope to perform very differently from another.

In practice, of course, the in-house research function at fund management groups tends to be a second-level operation largely devoted to sifting the broker research which pours in, unsolicited.

Fund managers are unlikely to respond immediately to the constant suggestions that they should buy stock A or sell stock B. At the same time, the quality of the research (if not of the recommendations) will at least indicate which analysts have a detailed knowledge of their industries and their companies.

New technology now allows fund managers to consider ways of expanding the scope of in-house research. Computer systems make it practicable to set up more comprehensive research databases, as well as to access external information sources more readily.

For unwary international managers, such databases may provide traps, because the information may not be reliably comparable across borders, especially where the corporate and accounting cultures are different.

Nevertheless, all kinds of possibilities are opened up, especially in the "quantitative" field where analysts can devise portfolios conforming to various objectives, such as risk profile or index-matching characteristics.

This can tie in with the opportunities for using options and futures, whether of stocks or currencies, in order to achieve defined portfolio objectives. Fund management firms are under increasing pressure to show clients that they have in-house expertise in this area.

In-house researchers can also come into their own when fund managers seek to follow very distinct strategies. This is more common in the US than in the UK, but they may wish to demonstrate special expertise in fields such as small, high-tech companies, or energy exploration and development.

Clearly, they will have to satisfy their clients that they have electronics experts or geologists on their staff who will enable them to follow specialisms of this kind.

The extent to which management organisations will attempt to carry on such research within their own offices will depend on the level of charges. If clients will only pay low fees, then naturally they must expect a stripped-down service. This has been the case, for instance, in the UK pension fund management business, where there has been very heavy reliance on broker research inputs.

In the US, fees have been higher, and the concept of the high cost boutique attempting to add value through a highly researched investment "style" has gained a good deal of ground. Too often, however, they have failed to deliver adequate performance over a protracted period.

In the global portfolio management business, fees are higher still but so are the costs. It is necessary to demonstrate expertise on the ground in the major markets. But "research" can be a rather hazily defined concept.

Besides researchers, financial groups may need bankers and marketing representatives. There is sometimes just a suspicion that the men in faraway, expensive branches may be wearing several hats at once.

Barry Riley

Accounting standards

Cross-border investment eludes national agencies

GLOBAL portfolio management calls for global research, and for the generation of international databases capable of throwing up valuation anomalies in the US or Japan or Italy.

Unfortunately, the quality of the financial information available is running a long way behind the needs of the worldwide investor.

Some countries, such as the US, have their own rigorous standard-setting processes for company accounting. But these standards may sometimes be in sharp conflict with the principles used in other countries; and many other countries, by no means all of them economically undeveloped, have no consistently applied accounting standards at all.

To some extent, securities agencies or stock markets are in a position to impose a degree of uniformity. Foreign companies listing in the US, for instance, are required by the Securities and Exchange Commission to file statements detailing the extent of the departure of their account from US generally accepted accounting principles.

But the surge in cross-border investment is taking investors well beyond the reach of national agencies such as the SEC.

For pioneering investors seeking to arbitrage between wildly different valuation bases in different markets the fine details of company reporting may not matter too much. But if there is to be an efficient global market in equities, based on systematic analysis rather than speculation, the quality and comparability of financial information around the world must be improved.

Since 1973 a specialised body, the International Accounting Standards Committee, has been working steadily to improve the comparability of accounts worldwide. In doing so it has recognised the needs of various user groups. Until recently, however, the IASC has been composed only of representatives of national accounting bodies.

But in January this year the investment community became directly represented on the board of the IASC through the admission of the first non-accounting organisation, the International Coordinating Committee of Financial Analysts' Associations.

ICCFAA has nominated two representatives, Mr Paul Aron, chief executive of Daiwa Securities America, and Mr David Damant of the London stockbrokers Quilter Goodison.

According to Mr Damant: "We need to represent the views of users in the discussions. We have a different perspective as users rather than as auditors or as preparers."

He argues that investment analysts have been under-represented in standard-setting discussions in the past, although he admits that this is often because relatively few expert analysts have shown much direct interest in the process of preparation of accounts.

Mr David Cairns, secretary-general of the IASC, believes

If there is to be an efficient global-market in equities, the quality and comparability of financial information must be improved

the analysts will have an important impact on international standardisation. "The fact that we now have a represented group which is an out-and-out user is a help. It focuses our minds on the important issues," he says.

The IASC also derives some valuable input from the International Federation of Stock Exchanges. This is a member of the consultative group which regularly meets the IASC board and provides comment on proposed standards.

Twenty-six international accounting standards are now in existence and there is a regular programme for the development of new standards and the revision of existing ones. One major current project, for instance, concerns disclosures in the financial statements of banks.

But the IASC has never been in a position to impose rigid standards and is never likely to be. It has to recognise national differences and its standards quite often permit alternative approaches (while ruling out others, however).

According to Mr David Damant the objective is shifting slightly. "The old word was standardisation. The new word is harmonisation," he says, adding that the aim is to achieve comparability with the aid of a certain amount of adjustment.

In this he may be reflecting the views of expert users who regard financial statements as the source of analytical material rather than as end-products in themselves. But accountants have always preferred to produce single profit figures rather than multiple-choice documents, perhaps because they also want to serve less sophisticated users.

The IASC has faced several basic battles over the years. One is the conflict between commercial and tax-based depreciation, with several European countries, notably West Germany, as the main battleground.

In Japan there have been difficulties over consolidation and over asset valuation, though the pull of listings in the US has caused some shifts in practice and at least one Japanese company, Sasebo, now formally complies with international standards.

Ironically there is only one US company, General Electric, doing the same — but this is because compliance with international standards is implicit rather than explicit in the US.

Within national markets it is probably not terribly important whether companies specifically comply with international standards. There is much talk, however, of the development of a global market in international grade equities and at this level a high quality of financial reporting is necessary.

But companies will need a reason for exceeding the requirements of national company laws. Greater uniformity of company accounting is likely to be much more rapidly achieved when companies have a significant incentive — in terms of easier and cheaper access to the capital market.

To that extent the internationalisation of portfolio management will have a considerable impact on major companies around the world, but it will take time for comparability to be achieved. Meanwhile, fund managers and analysts will need to tread very carefully.

Barry Riley

Mr David Damant (left), one of the ICCFAA's two representatives; and Mr David Cairns, secretary-general of the International Acounting Standards Committee.

Administrative obstacles

Computers don't hold all the answers

THE ITALIAN bargains that get lost in a never-ending settlements tangle, the French tax repayments that take three years to come through, the Japanese new issues that are not physically delivered for six months. . . These are just some of the potential snares for the international fund manager.

Americans, in particular, find such problems very difficult to deal with. The US markets are so highly computerised that fund management firms can automate their back offices almost completely. It is not like that around the world.

Several of the big international banks are building substantial businesses out of servicing global investment management. Mr Doug Reeve heads up Citicorp's investment industrial division in London, and he points out the pitfalls that can arise, for example, from failed trades.

"It's vital to spot them quickly and get them resolved," he says. "If that's not handled well a fund manager can spend an awful lot of time chasing around. It can be a very substantial hidden cost."

A common problem is that international fund managers spot an opportunity in a small, national market and all attempt to move in at once. This creates a sudden boom with which existing settlement systems are incapable of coping, leading to long delays and sometimes even temporary shutdowns of the markets.

Examples are Sweden a few years ago and Italy much more recently. Although the Italians have taken action to improve settlement capacity, the delays have remained serious enough, for example, to cast a shadow over Deutsche Bank's recent giant international placing of the Libyan Government's stake in Fiat.

According to Doug Reeve, it is important to be able to arrange on-the-spot services by finding the most effective sub-custodians in each market place. In Citicorp's case these will sometimes be local branches of the bank, but could often be other banks depending on the particular circumstances.

Mr Peter Sedgwick, chief executive of Schroder Investment Management, highlights the importance of effective administration to the success of an international fund management business. "The back offices are requiring as much attention as the investment management side," he observes.

Computerisation helps the big groups which can command the resources for complex systems. But Mr Sedgwick points out that computers also eliminate human expertise, and there is a danger that this can lead to inflexibility in the systems.

The Americans, London experts suggests, have been rather slow to realise how unsophisticated other countries' systems are. This means that US mutual funds, with a high international weighting, can find it difficult to meet a sudden surge of redemptions, because it can take weeks to realise the proceeds for foreign stock sales.

This is not to say, however, that British managers are always much better off. Mr Terry Gray, principal consultant at BIS Applied Systems, argues that too many British fund management concerns are running old systems which will only cope with a UK-type portfolio.

"As a result, the core administration system will only cope with a small proportion of the services that are needed," he says. "The systems are creaking. To compete, UK managers are going to require much more automation."

Mr Gray thinks, in fact, that internationalisation is having a far greater impact than the Big Bang changes of the London Stock Exchange on the way that fund managers run their businesses.

Tax brings its own problems for the international investor. Many countries impose withholding tax on company dividends, for example, at a variety of rates and according to a variety of conditions.

In principle, these deductions can often be reclaimed under double taxation agreements between different countries; but it is necessary to be familiar with the bureaucractic procedure and know how to fill in the right form. Even then it may sometimes be necessary to argue with the local tax authorities.

One London manager, for example, tells of how the French tax authorities tried to resist a claim for a tax refund on behalf of a US pension fund on the somewhat obscure grounds that, since the fund was not liable for tax in the US, it had borne single, not double, tax in France and did not qualify for a refund.

The point was eventually conceded by the French, but such disputes can eat up vast amounts of fund managers' time if they are allowed to.

Clearly, accumulated expertise in this area is immensely valuable, especially if it can result in avoiding the deduction of tax in the first place. Once the money has disappeared into the coffers of the tax authorities, it can take anything up to three years to regain it.

Tax and settlement are unappealing subjects, but they have to be given a high priority by fund managers operating in the global market. There is a risk that the much more glamorous front-end systems, involving trading and information retrieval, will gain too large a share of attention, with potentially disastrous consequences.

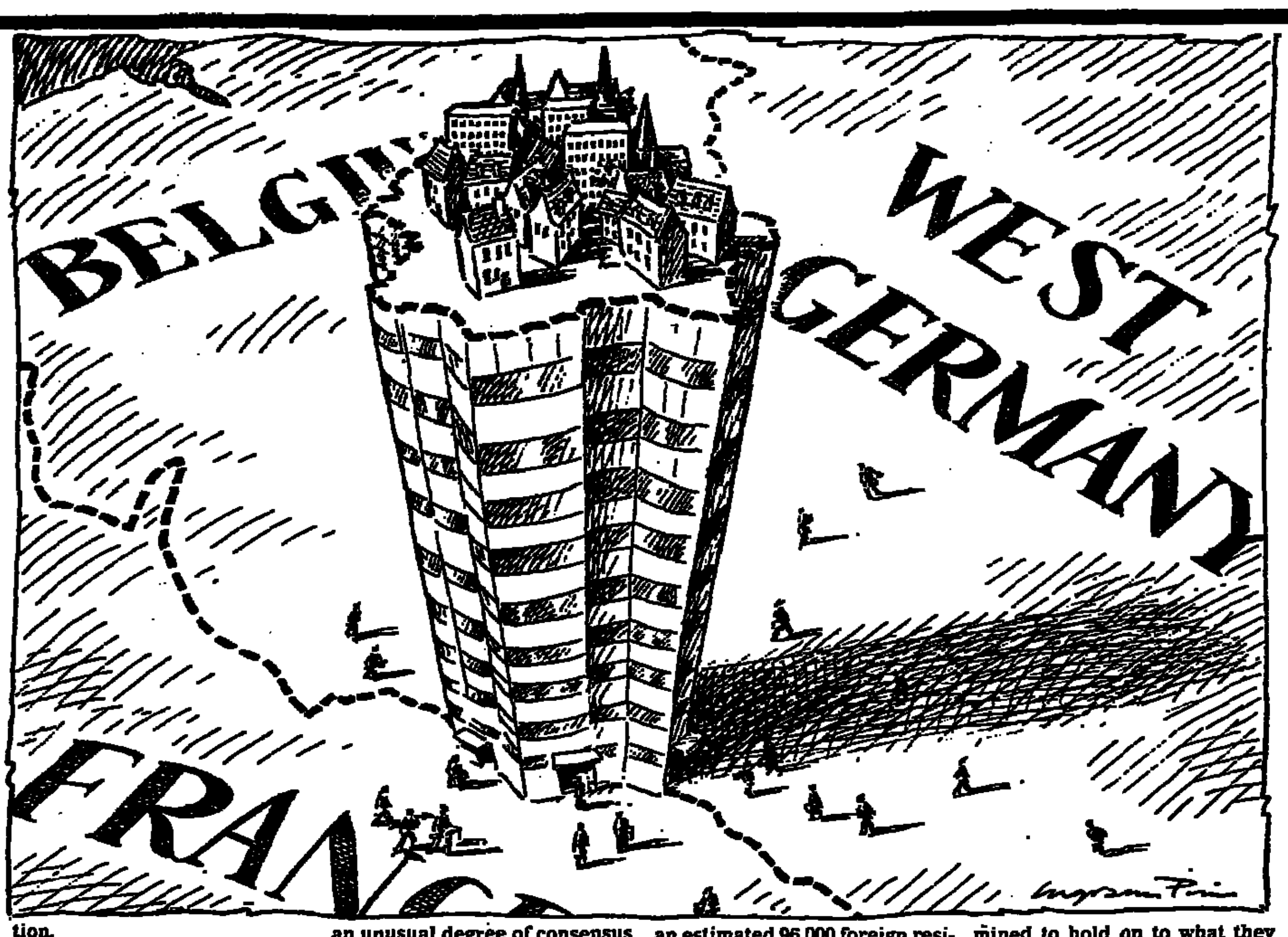
Terry Gray has a particular warning for the smaller operators who have relied in the past on muddling through. "The smaller fund management companies are not used to spending large sums on administering portfolios," he says. But in the increasingly competitive business of international fund management, cutting corners will have increasingly serious consequences.

Barry Riley

FINANCIAL TIMES SURVEY

THE GRAND DUCHY OF Luxembourg

The European Community's alternative capital is thriving as a centre for both international banking and the EEC. Yet it is a small country bordered by influential neighbours and must struggle to make its voice heard.



A MAJOR centre for "offshore" banks; the EEC's alternative "capital"; an exotic tourist trap; and the home of a radio station which has long been a household name. For a small country—not much bigger than a typical English county—Luxembourg has a remarkably high profile on the international stage.

Perhaps because of this, it appears from the outside to have more than its fair share of contradictions and inconsistencies.

Though a fully-fledged member of the European Community—and host to several key institutions—Luxembourg's influence on EEC political decision makers (notwithstanding a reputation for compromise) is minute in practice.

While rightly renowned for political and economic stability, four fifths of Gross National Product (GNP) is based on *external* trade. How to remain competitive with its much bigger neighbours is a perennial concern.

The country's sophisticated and increasingly outward-looking banking and financial services sector belie a quiet, provincial and relatively unspoilt way of life.

And, finally, its deeply Catholic, conservative and quintessentially middle-class people are governed by a coalition which includes the Socialist Workers' Party presided over by a Grand Duke who is more a spiritual than a constitutional ruler.

Luxembourg has one of the highest, if not the highest, per capita incomes in the Community and is currently emerging from the recession of the early 1980's in enviably sound economic and financial health.

Most of the indicators are pointing the right way—unemployment is just over 1 per cent and falling, inflation is virtually zero, GDP is close to the EEC average; and thanks to cautious husbandry in the past and (for the moment at least) some easing of financial pressures on the heavily state supported steel industry—further tax cuts for individuals and companies are on the way.

Luxembourg currently runs a healthy budget surplus which recently allowed the Centre-Left government of Mr Jacques Santer to announce a package of tax cuts of about LFr 5bn for 1987 plus the promise of further fiscal incentives thereafter.

Economic management, of course, is far easier in a small country than a large one. Moreover, thanks to its favourable legal and fiscal environment and its famed banking secrecy, the Grand Duchy has been able to build up a banking, insurance and fund management sector, which by any criteria is disproportionate to its size.

To an extent which local

By Tim Dickson

people and ex-patriates alike will only uncomfortably admit, Luxembourg's economy reaps the benefit of blatant tax evasion by foreign investors.

To be fair, politicians and others repeatedly point out that Luxembourg is not a "tax haven"—at least not in the conventional sense. Personal taxes, as any expatriate banker will bitterly complain, are steep by any standards (not least because of the absence of many personal allowances) while corporation tax—40 per cent and falling—is higher than in the UK.

As seen from the Grand Duchy, what individuals or companies care to do with their money—or how they wish to account to their tax authorities—is their own affair.

On the other hand, the Luxembourg monetary authorities' generous attitude to bad debt provisions—enabling lending institutions to eliminate taxable profit—is a prime reason why foreign banks flooded in during the late 1960s and 1970s to "book" syndicated loans and large parts of the burgeoning and highly-profitable Eurobond business.

Moreover, the popular Luxembourg holding company—exempt from all taxes and dating back to 1929—has proved a useful vehicle for shrewd financial planners well beyond the Grand Duchy's own borders. At the last count there were 6,000 of them.

Luxembourg's ability to handle the harshness of recent economic change—in which the growth of the banking and financial sevices sector has played a key part—is undeniably impressive. The aim now is to strengthen the roots of the 122 established banks and 21 non-credit institutions whose balance sheet totals in July this year stood at more than LFr7,721bn and to encourage the development of new financial services such as private banking, insurance and fund management.

The new enthusiasm for private banking—a development of the last three to four years as wholesale lending has suffered from falling demand and increased competition from other centres—has the clear blessing of the authorities, who see it as an opportunity for Luxembourg banks to step up their investment in systems and hardware and to hire new people.

At the end of June this year there were 213 Luxembourg investment funds—compared with under 100 at the end of 1983—though most of the investment management decisions are taken elsewhere. As accountants Peat Marwick Mitchel point out, their growth was spurred by the Law of August 25 1983 which provided a more precise framework for their establishment and operation.

The presence of a recognised stock has also helped — besides the 3,000 Eurobonds and 200 shares there were 158 investment funds listed at the end of 1985.

Not surprisingly, the EEC institutions have given considerable impetus to the development of an active deposit and investment market in European Currency Units (Ecus).

Another major Luxembourg financial success is Cedel, the securities clearing centre owned by nearly 100 banks and financial institutions worldwide, whose growth has mushroomed on the strength of new international bond issues and the "securitisation" of debt.

Cedel "turnover" — the dollar equivalent of the value of securities cleared — rose almost 57 per cent to $875.6bn in the nine months to end September this year and this month passed the $1 trillion mark.

On the industrial side of the economy, the traumatic rationalisation of the Arbed steel works has been eased by an unusual degree of consensus between management, unions and politicians as to the nature and the conditions of change.

The Government however, is not prepared to see the country transformed into a pure service economy and has placed considerable emphasis on promoting the attractions of Luxembourg as a good location for medium-sized technology business. The Grand Duchy clearly cannot compete with the regional development agencies of its more powerful neighbours for the really big "internationally mobile" investments.

With virtually full employment outsiders might well wonder how they could recruit a local labour force. The answer lies in the large number of French, German and Belgians who travel in and out of Luxembourg every day to work. With economically depressed areas beyond almost all its borders, any job advertised in Luxembourg is assured of a heavy response.

These "commuters" are just one of a number of foreign groups which give Luxembourg its current identity. There are an estimated 96,000 foreign residents who represent more than 26 per cent of the population, the highest proportion in the EEC, and no less than 37 per cent of the workforce is "non-Luxembourger".

Besides the ex-patriate bankers at one end of the scale and the large number of Portuguese immigrants which tend to do the menial jobs at the other end, Luxembourg is also home to more than 10,000 European Community employees working in the offices of the various EEC institutions, including the headquarters of the European Investment Bank, the European Court of Justice and the Court of Auditors.

Both the European Commission and the European Parliaments have staffs there too.

With their high salaries and favourable tax status, this section of the population is occasionally the subject of some envy but since they mix little with the ordinary Luxembourgers there is little tension between the two groups.

Luxembourgers have always been ambivalent about the EEC but they are certainly determined to hold on to what they have of it and hint that if anything forced them to use their right of veto in the Council of Ministers, it would be an attempt to deprive them of part or all of their Community institutions. The European Parliament offices have been the most vulnerable. On the other hand, it has been said that had its politicians pushed a little harder in the 1950s it might have ended up with the headquarters of the European Commission and hence become an even more prominent headquarters of European affairs. Perhaps it was a reluctance then and now — a reluctance rooted deep in their history of continuous foreign invasions not to be overwhelmed by outsiders.

This instinct undoubtedly explains the strong feelings stoked up in the Grand Duchy by the French nuclear power station at Cattenom, whose four giant cooling towers dominate the country's south eastern corner from the far side of the Moselle.

Luxembourg's current campaign against the plant — given new intensity by the Chernobyl disaster — seems motivated not so much by the ultimate threat as by the lack of local control over a process that directly affects its environment and its people's lives.

In a different context, the cultural threat from outside can be detected in Luxembourgs' determination to cling to their own language, a dialect ultimately derived from German but sufficiently different to defeat most foreigners.

Without a university to provide its own graduates, with such a small domestic market to sell its goods; and with such a small population to provide skills for its growing financial activities, however, Luxembourg must remain dependent of the outside world. Given its adeptness in the past, there is no reason why the Grand Duchy should not continue to use this to its advantage in the future.

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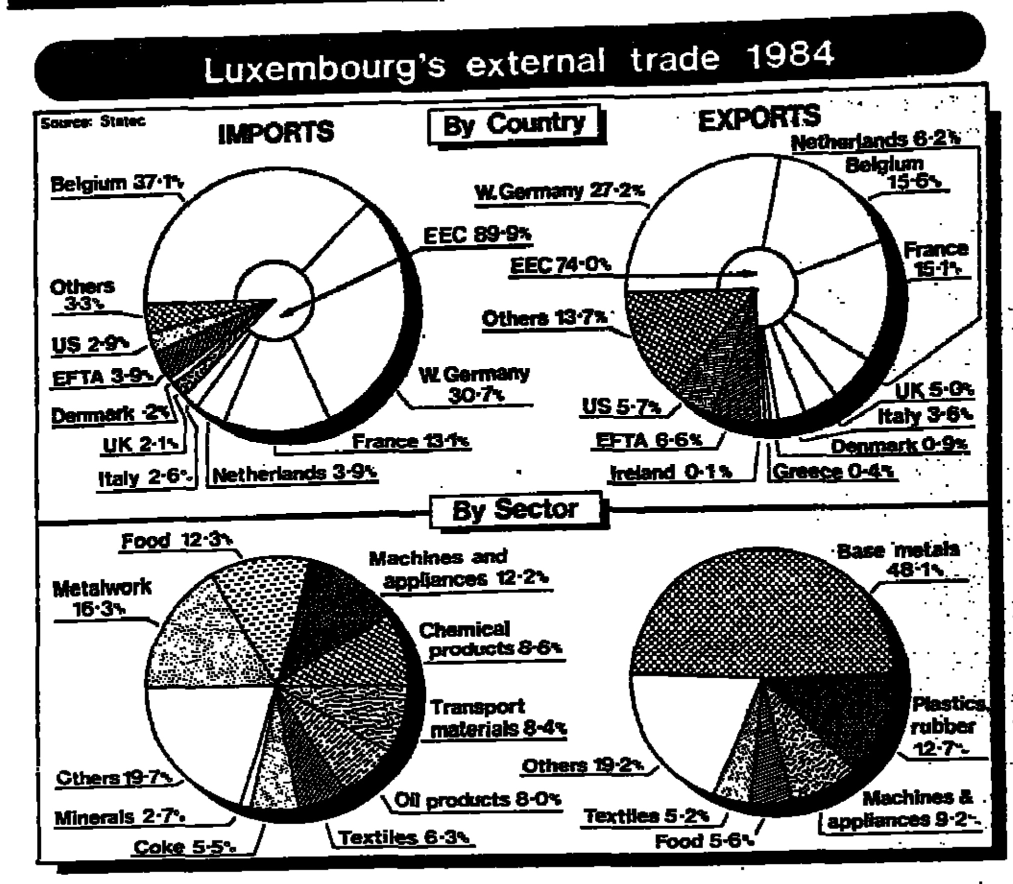


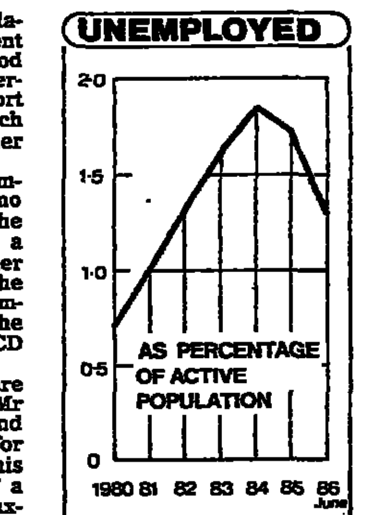
Economy

Sense of satisfaction

WITH VIRTUALLY zero inflation, minimal unemployment and growth rates at least as good as the Western European average, Luxembourg enjoys the sort of economic advantages which largely continue to elude her EEC partners.

The country's recent performance earned high marks from no less an authority than the OECD, which observed in a report published this summer that "in many respects the ecoomic situation in Luxembourg appears to be among the most favourable in the OECD (area)".

Local commentators are sometimes more lyrical. Mr Johny Lahure, the Grand Duchy's Secretary of State for the Economy, reminded his audience at the opening of a trade fair last month that Luxembourg has been compared to a land "flowing with milk and honey"—a description which more cautious politicians admittedly might eschew but which sums up the sense of satisfaction at the way things are going.



To be fair, though, there is little complacency in the Government or elsewhere that the Grand Duchy is automatically assured of a rosy future. Indeed Mr Lahure himself went on to emphasise in his recent speech that the country's development should be seen in a wider context than Luxembourg itself—a reference presumably to the fact that, much more so than its neighbours, it is dependent on factors beyond its borders and hence beyond its control.

Besides the obvious influences of the level of the dollar and the price of oil, Luxembourg relies particularly heavily on West Germany, France and Belgium not only as destinations for its exports but as sources for its imports and raw materials. The increasingly important banking sector may be prosperous at present, but as a truly international business is always vulnerable to sudden outflows of funds. The fragile recovery of steel, once the mainstay of the Luxembourg economy, could be (indeed is being) threatened by moves towards further market liberalisation inspired by the European Commission in Brussels.

As a result the Government continues to encourage more diversification in the economy with a policy of giving support to established companies which wish to expand, and of trying to entice internationally mobile high technology industries to the Grand Duchy.

According to Mr Raymond Kirsch, Director of the Treasury and chairman of Luxembourg's Societe Nationale de Credit et d'Investissement (SNCI), this process started in the early 1980s in response to the sudden demise of the local coal mines but it is only since 1977—the year SNCI was formed and the year he believes people finally accepted that the steel crisis was not just a temporary phenomenon—that the challenge became urgent. Today, he says, with 20m tonnes of unwanted steel depressing Community markets in the short term and the clear prospect of the exhaustion of Arbed's cheap supplies of coal and iron ore from neighbouring France and West Germany posing a longer term threat, the search for new industries is as important as ever.

Luxembourg's financial package of subsidies, state credit, and tax breaks offers little that more depressed regions in Europe cannot match or indeed top, particularly when large new multinational projects are seeking a base.

The Grand Duchy's central European location, its relatively slim bureaucracy, and its multilingual labour force (secretaries, for example, who can type in three languages) are nevertheless assets which have helped attract 60-70 small to medium sized companies since 1977 and led to the creation of some 5,000 jobs in the process. Despite unemployment of just 1,200 at the moment, it is significant that new job advertisements often pull in as many as 10 applications—a reflection of the fact that many people commute to jobs in Luxembourg areas of high unemployment just beyond the Grand Duchy's borders.

As the table shows, the position of industry excluding the steel sector has remained fairly steady over the years measured in terms of contribution to GDP and employment. Steel, on the other hand, now represents only 11.2 per cent of GDP and less than 9 per cent of the workforce compared with more than 27 per cent and nearly 17 per cent respectively in 1970. Services and trades, particularly banks and insurance companies have moved in to take up the slack.

This fundamental transformation has been achieved over the last 10 to 15 years with little noticeable effect on overall growth which by any definition of GDP has been at or above average EEC levels. On the basis of the internationally accepted definition (which Luxembourgers claim understates the true position because it ignores part of the contribution of the banking sector), this increased at an average 3 per cent per annum between 1970, 1980 and 2.1 per cent between 1980 and 1985. Growth jumped sharply in 1984 as steel bounced back from the recession, but the rate of expansion has since been less dramatic with last year's GDP growth of 2.2 per cent likely to be more or less repeated in 1986 and an increase of 2.6 per cent officially forecast for 1987.

The latest analysis suggests that the rate of increase of industrial output during 1986 is slowing down a little after the previous two years. In the first three months of this year, according to figres from Statec, the Government statistical service, industrial production rose by 5.3 per cent in volume terms by comparison with the equivalent period of 1985, against a 6.9 per cent increase during the whole of 1985 and a 14 per cent jump in 1984.

Steel exports and production have been notably less buoyant with weak market prices compounding the difficulties. Industries other than steel, on the other hand, recorded a 5.7 per cent increase in the first three months of the year, with non-ferrous metals, chemicals and synthetic fibres particularly strong.

Banks are likely to turn in results in 1986 which will stand comparison with their healthy 1985 figures, the construction industry finally seems to be experiencing a cyclical upswing on the back of expansion in services, while tourism receipts advance slowly but steadily.

Unemployment, which had crept up in the early 1980s as the steel sector shed more jobs, is on the way back down again and looks set to fall from 1.7 per cent to 1.3 per cent of the working population by the end of this year. The weak oil price this year has kept inflation in check and thanks to the activities of the bank's "invisible" earnings the Grand Duchy's negative trade balance is transformed into a healthy current account surplus estimated by the OECD at some LFr65bn or between one quarter and one third of GDP.

Another trend is the continuing rise this year in domestic demand as the higher real disposable household incomes feed through into higher private consumption. There are signs that wage costs may accelerate a little next year, though Luxembourg's recent record of reducing real wage costs is good by EEC standards.

Tim Dickson

Inflation—year on year rise in consumer prices

	1980	1981	1982	1983	1984	1985	1986
Jan.	5.7	7.3	8.7	10.2	7.4	3.8	3.6
Feb.	6.0	7.0	9.1	9.5	7.8	3.7	2.6
March	6.3	7.4	8.4	9.5	7.5	3.9	1.5
April	6.6	7.4	8.1	9.5	7.8	4.4	0.5
May	6.7	7.6	8.7	8.6	7.7	4.2	0.4
June	6.4	8.4	8.9	7.6	6.7	4.4	0.1
July	6.4	8.5	9.4	8.1	5.4	4.7	(−0.6)
Aug.	6.4	8.5	9.7	8.3	4.9	4.0	—
Sept.	5.9	9.4	9.5	8.6	3.9	3.9	—
Oct.	6.0	8.8	10.4	8.4	3.6	4.0	—
Nov.	6.3	8.5	10.8	7.9	3.2	4.0	—
Dec.	7.0	8.0	10.4	8.0	2.3	4.1	—

Source: Statec.

Steel production (Tonnes m)

1979	4.95
1980	4.62
1981	3.79
1982	3.51
1983	3.29
1984	3.99
1985	3.95.
1986	
1st half	1.97

Source: Statec

Main activities as a percentage of GDP

(Current prices, July 1986)

	1970 %	1975 %	1980 %	1985 %
Agriculture	3.7	3.1	2.4	2.3
Industry	42.9	27.0	26.4	27.2
(Steel)	27.1	11.2	11.3	11.2
(Others)	15.8	15.8	15.1	16.0
Construction	6.1	7.7	6.9	4.7
Marketable services	33.5	43.2	42.9	45.3
Banks and insurance companies	4.6	11.8	8.8	15.5
Public administration	7.8	10.3	11.8	10.3

Source: Statec

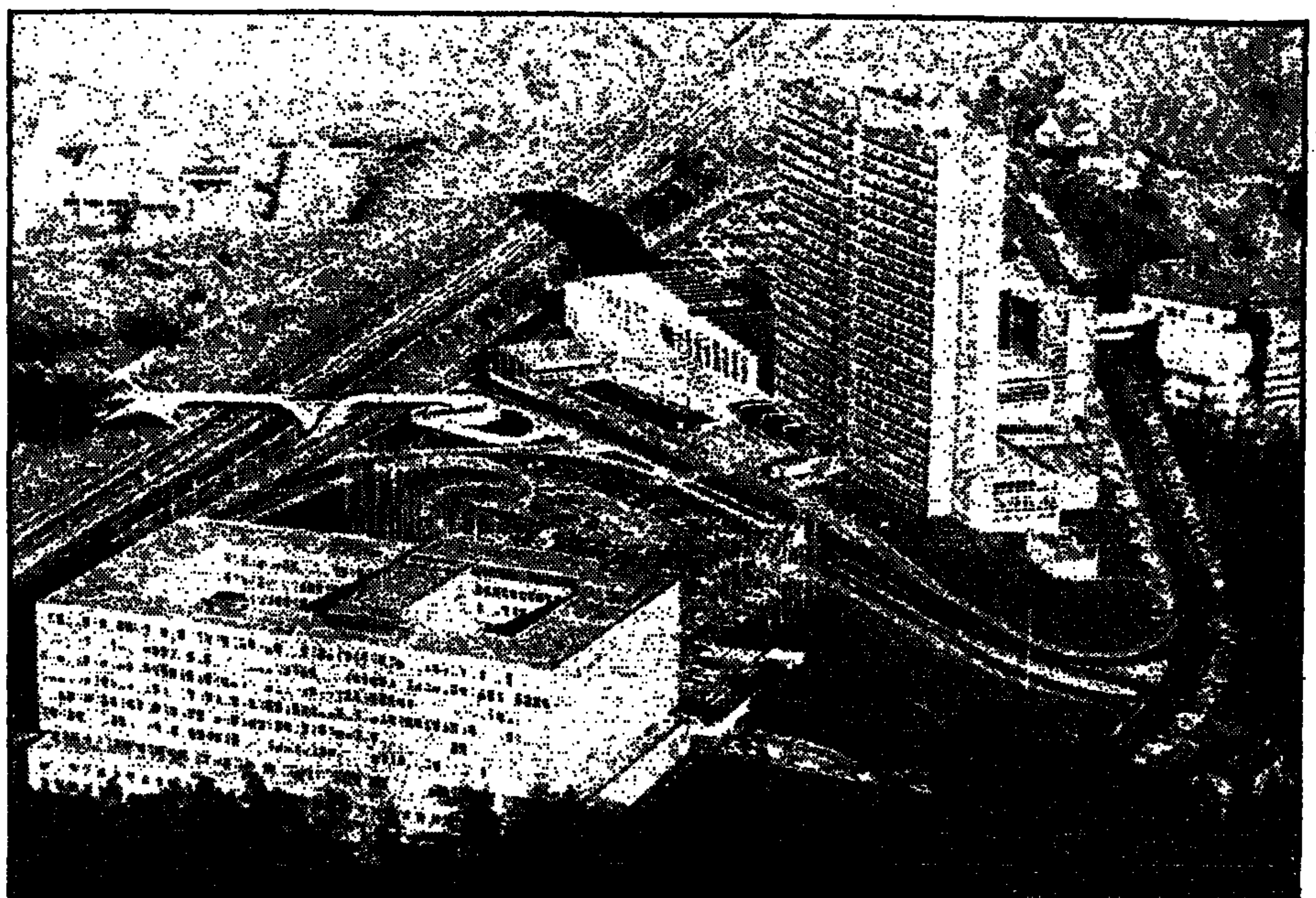
Annual rise in GDP

(1980 prices)

1979	3.0
1980	1.4
1981	−1.0
1982	1.5
1983	3.2
1984	5.4
1985	2.2
1986	2.4*
1987	2.6*

*Estimates

Source: Statec



The European Parliament buildings. Luxembourg's status as an EEC capital enhances its position at Europe's cultural crossroads.

Banking

Big contributor to GNP

ARRIVE AT any of Luxembourg's longer-established local banks on a Belgian public holiday and the chances are you will jostle with a crush of customers. Most of them will be speaking Flemish, or French with a strange (i.e. Brussels) accent.

These are the so-called "Belgian dentists"—the tag for individuals from Luxembourg's western neighbour who slip across the border on "days off" to pay in their spare funds or take out their loose cash under the cloak of the Grand Duchy's banking secrecy.

They have, of course, long been a familiar feature of the local banking scene—but in the last three to four years a significant change in their composition has been taking place. As one commentator neatly puts it: "Increasingly the visitors are neither Belgian nor teeth extractors."

For all the talk of boosting "off balance sheet" activities, for example, fee income still accounts for only a relatively small proportion of earnings.

The change of emphasis from the straightforward "booking" of loans to providing fully-fledged services for personal customers, demands a new type of skill and experience which is not acquired overnight; and stiff international competition from other banking centres is inevitably putting new pressure on the Government to enhance further the attractions of Luxembourg as a banking centre.

The banks' importance to the Luxembourg economy is well illustrated not just by their contribution to the budget and the rising level of employment—11,000 or 6.8 per cent of the total labour force at the last count—but by the ratio between gross national product and the banks' total assets. In Luxembourg the ratio is 1:30, whereas in most industrialised countries it is just 1:2.

The point is that Luxembourg's banking and financial sector—the single most important contributor to GDP since the demise of steel—is itself in the middle of an important transformation as private banking and investment management take over from traditional wholesale lending as the major sources of new growth.

By all accounts they are proving profitable niches, if for no other reason than that the market for such services is rapidly expanding.

"Cutomers who want professional money management used to be the upper 10,000, but they are now the upper 10m in Europe," according to Mr Pierre Jaans, director of the Luxembourg Monetary Institute.

While confidence is undoubtedly high that the latest strategic switch can help banks sustain their current record profit levels, and while commitment to the Grand Duchy by local management at any rate seems to be strong, important questions remain unanswered and nagging doubts about the future persist.

Competition—notably the liberalisation of banking regulations in centres like the UK, West Germany and Japan to encourage the greater use of "on shore" locations—has been one threat to Luxembourg's traditional role in the Eurobond market. The Grand Duchy's share of Euromarket business has dropped from a peak of more than 12 per cent of the dollar total in 1979 to about 9 to 9½ per cent today.

Wholesale business has also suffered severely from the sharp drop in syndicated loan activity following the problems with developing country debt at the start of the 1980s, and the lower borrowing requirements of many industrial companies which emerged leaner and more liquid from the recession.

The steep rise in the issue of securitised debt has compensated somewhat but the centre of this market is London and much of the issuing, placing and trading of Euro-paper bypasses Luxembourg.

In spite of all the changes Luxembourg's banking profitability is healthy, with last year's operating results for the sector of LuxFr 85bn (up from LuxFr 67.5bn in 1984) likely to be repeated in the 12 months to December.

A significant feature of the Grand Duchy—and one of its key fiscal attractions from the point of view of operators there—is the generous level of bad debt provision allowed by the authorities before banks actually strike their taxable profits.

Some subsidiaries (notably of the German banks) declared zero profits in past years but this practice has now been discontinued as the scope for making sizeable provisions becomes less and (according to one official) local subsidiaries increasingly wish to make a visible contribution to their group results.

Net profit after provisions but before tax climbed steeply from LuxFr 20.3bn in 1984 to LuxFr 27.8bn last year—a trend which is likely to continue but which will not necessarily be accompanied by a commensurate improvement in the bank's underlying performance.

As higher profits are declared, bankers will no doubt hope that the Goverment will further reduce the level of corporation tax, currently 40 per cent but due under current budget proposals to come down to 36 per cent in two stages over the next two years (the effective rate will actually be some three points above that).

Critics note that this level will still be higher than the UK's 35 per cent, though they accept that the Conservative/Socialist coalition partners are politically constrained from moving more quickly at the moment. This year's budget also proposes the abolition of a tax on aggregate salaries and various stamp duties, and the reduction of a local profits tax.

Mr Ole Roed, managing director of Bergen Bank and a spokesman for the Luxembourg Association des Banques et Banquiers (ABBL), pays tribute to the "positive attitude" of the Government to the banking sector and adds that this year's Budget is "a step in the right direction." He would clearly like other changes, however.

Besides further cuts in corporation tax Mr Roed cites total abolition of a tax on bank capital, better and more numerous double taxation treaties (the absence of which he says is driving certain business away) and a lowering of personal income tax for key foreign workers. The Government has agreed in principle to this last point but the ABBL remains unhappy with some of the detail.

In the end, the financial institutions will have to prove themselves that they can rise to the new challenge of private banking. Some pertinent questions about this new orientation are posed by Mr Volker Burghagen of Dresdner Bank and a man whose 12 years in Luxembourg has given him direct experience of private customer business. Mr Burghagen cautions that many of those embracing this business for the first time "will find a totally new sort of activity."

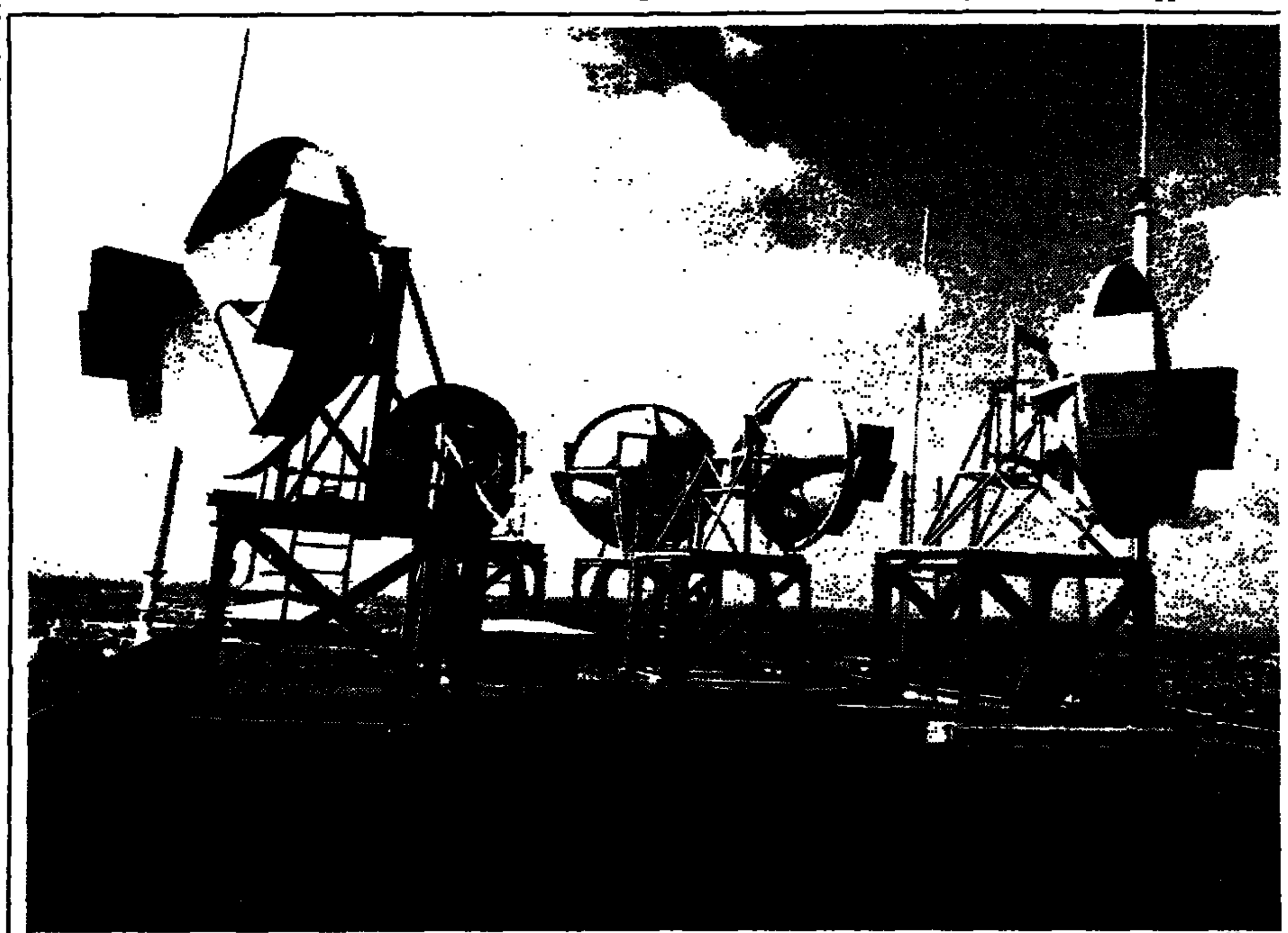
"They need staff and experience since Luxembourg has no real reputation as a major financial centre for private investors. The customers they attract will therefore need to be convinced and the banks which manage their assets will have to invest time and money in both new people and new operational systems.

"Some banks I know are already having problems. They jumped on a train that is going pretty fast and they found that they didn't have the infrastructure."

Markets, he adds, have generally been healthy in the last two to three years. How, he wonders, will the new players cope when things get rough in a bear market?

Tim Dickson

Part of the banking quarter. Stiff international competition is forcing Luxembourg to increase its appeal



Directional radio installation at Luxembourg-Kirchberg

Politics

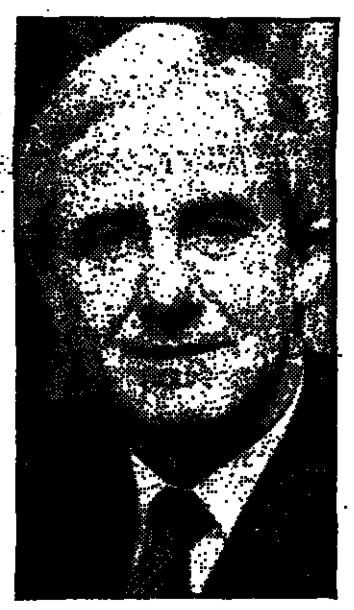
Coalition maintains the consensus

THE IDEA of a coalition between Conservatives and Socialists would be inconceivable in, say, a country like Britain. But the fact that Luxembourg's Christian Social Party and the Socialist Workers' Party produced a common programme after the last elections in June 1984 and have managed to work together ever since is evidence of the unusual political consensus in the Grand Duchy.

Luxembourg's two key political figures are Mr Jacques Santer, the 49-year-old Prime Minister and Finance Minister and his Socialist vice premier, Minister of the Economy and Foreign Minister, Mr Jacques Poos, who is 51.

Critics claim that there are potentially serious areas of conflict between the two camps but the strong impression gained from talking to the two men is that the interests of Luxembourg are well ahead of narrow party political differences.

Here are some of Mr Santer's views:



Jacques Poos

Jacques Santer

On Luxembourg's people: "We are a middle class people, for better and for worse."

On Luxembourg's influence: "It is an historical one. We are at the heart of Europe but we have no political ambitions, except to serve the European Community. We are at the crossroads of two cultures—the French and the German—and it has been the task of our politicians like Robert Schumann and Gaston Thorn to find compromise solutions to their problems."

On the threat from the French Cattenom nuclear plant: "We hope that the European Commission will take initiatives at Community level. We are no more powerless than any other country which is unable to stop an action of its neighbours."

On the "Luxembourg" veto: "For me this and the citing of national interests is unacceptable. I am hopeful that the majority voting which follows the introduction of the Single European Act will help the EEC to reach its goals by 1992."

On Luxembourg's high immigrant population: "There are no problems, they have integrated very well."

On the economy: "We are now in a period whre we have to try to consolidate our industrial situation. After the steel crisis we are becoming more of a service economy but we have to maintain an industrial sector. That is why we are so keen to attract companies from abroad.

"We also want to become an important centre for broadcasting and telecommunications."

On politics: "Luxembourg has a tradition of coalition governments. They are alway changing but there is no polarisation among the people, just different sensitivities and different programmes. There is no tension in the coalition on any issue."

On the budget surplus: "This is not just the result of the banks' contribution. Our predecessors were cautious during the worst of the steel crisis."

Here are some views of Mr Poos:

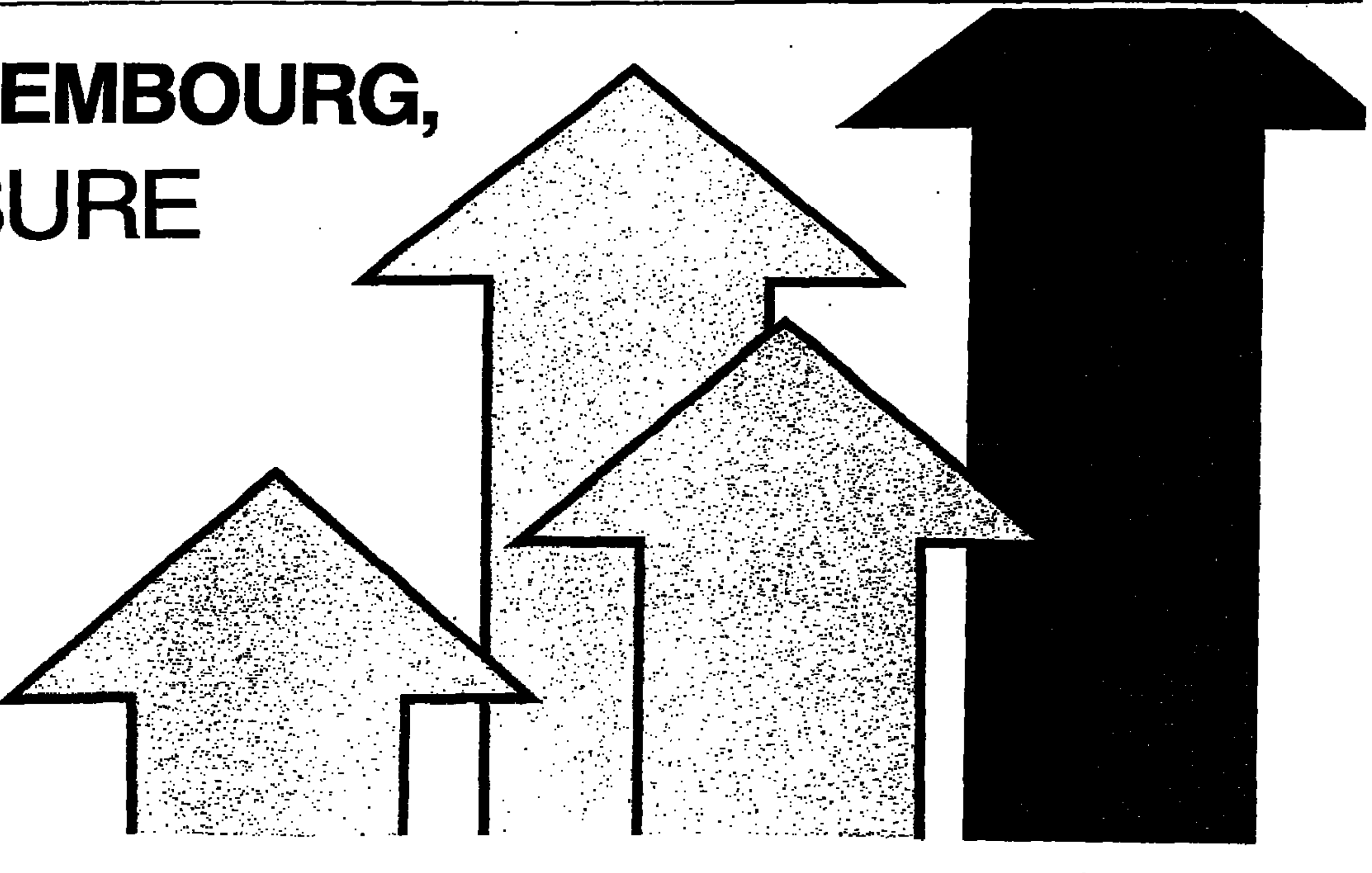
On the banks: "The Socialist Party in Luxembourg is aware that the sector gives employment to 6.6 per cent of the working population and that it must be fully encouraged by the authorities. We feel that a private person within certain limits should have the right to do what he wants with his money.

"We hope the banking sector will continue to grow but we want a strong industrial and agricultural sector too. Insurance, reinsurance and broadcasting are significant areas of service sector activity."

On relations with South Africa: "We have not followed the Netherlands and Denmark in pushing for more than the current EEC sanctions package. We will implement fully the decisions to bank krugerrands and new investment."

On education: "We do not intend to found a Luxembourg university. We are aware of the advantages of forcing students to go abroad and we wouldn't be able to attract the cream of the professorate."

Tim Dickson



Europe's alternative capital

IN LUXEMBOURG they call it "la politique du siege"—the battle they have fought since the founding of the European Communities to ensure that the Grand Duchy remains the alternative capital of Europe.

A fair number of the local population has doubts about it. Many people feel somewhat swamped by the invasion of foreigners coming to run the European institutions, in addition to the international bankers, and thousands of Italian and Portuguese immigrants in the service industries.

At official level, however, it is a policy defended with jealousy and dedication, the one issue on which little Luxembourg might actually be tempted to use its veto in the EEC Council of *Ministers.*

The result is an ever-growing cluster of office blocks out on the Kirchberg plateau on the edge of town, linked by a manic system of one-way roads apparently designed to baffle all but the most intrepid.

The biggest employers are the *European Commission itself,* and the European Parliament, the Community institution which finds itself split three ways by the geographical rivalries of the member states.

The Parliament secretariat is based in Luxembourg, although its regular committee meetings and most of the party political staff are in Brussels, and its monthly plenary sessions are held in Strasbourg.

The joint determination of Strasbourg and Luxembourg to keep a share of the Parliament's cake has so far scotched all *efforts by its* members to move lock, stock and barrel to Brussels.

As for the Commission, it keeps a curious assortment of its departments there: the translation services, publications and statistics, half its high technology wizards, a share of personnel, and more logically, its investment and loans division.

The semi-independent institutions have a higher profile—the European Investment Bank, *boasting the largest* banking business in the Duchy, the European Court of Justice bringing a steady stream of international lawyers to its doors, and the most junior institution of all, the Court of Auditors, keeping its wary eye on all the rest.

As for the Council of Ministers, the *decision-making* body of the member *states,* it simply packs its bags and comes down the road from Brussels for meetings three months of the year, in April, June and October.

For most of the participants, Eurocrats, *diplomats, interpreters* and mere scribes, it is a long and weary road, marked by late-night journeys.

For Luxembourg it is a major diplomatic gesture, a regular pilgrimage which puts the Grand Duchy *firmly* on the European map, and no doubt a useful source of revenue from those who take advantage of the low rates of VAT to stock their cellars and cigarette boxes.

Quentin Peel

Court of Auditors

Asking some leading questions

THERE ARE mixed feelings in the European Court of Auditors about the benefits of being based *in* Luxembourg.

On the face of it, this most junior of EEC institutions fits exactly the categories of those which are supposed to be sited there—it is both a legal and a financial institution.

There are those in its ranks, however, who believe that its job of being financial watchdog over EEC spending would be very much easier if the staff were more closely in touch with events in Brussels, where most spending decisions are taken.

Mr Marcel Mart, the Court's current president and *himself* a distinguished Luxembourger, has no such doubts.

On the one hand, he believes it gives the Court, just nine years in existence, a necessary independence from the Brussels machine. On the other, he maintains that much the greater part of the audit job is actually carried out in the member states, where the spending is done.

Whatever the merits of that debate—and the Court's home in Luxembourg is still only "provisional"—it is an institution which has already succeeded in creating its own profile.

On key issues of Community policy—the accumulation of surplus food stocks, dispensing of food aid to the Third World, the use of EEC funds for social and regional spending, and the contrasting efficiency of tax collection between the member states—the Court of Auditors has asked leading questions and ventured criticism which has launched a genuine political debate.

Set *up by the Treaty of* Brussels in 1975, with its first members appointed in 1977, the Court still reflects a divided tradition of public audit in the Community. As such, its role is still somewhat schizophrenic.

Some of the Court's work reflects the "southern" tradition which simply asks if money has been spent legally and correctly, and gives little more than a rubber stamp to the EEC budget.

Other investigations it has launched have questioned the "sound *financial management*" of projects in the tradition of more northern European countries such as the UK and West Germany.

"We must consider the legality, regularity and sound financial management of spending, but it has been left to the Court to define what we mean by these three things," Mr Mart says. "We still haven't agreed any common definition."

In spite of that rather profound theoretical division, the *Court has simply* got on with its job. The only question is which areas of spending are tackled in which way—and it depends on the member of the Court responsible.

Every year the Court produces one substantial piece of work—its annual report on the previous year's EEC budget—and a variety of special reports either at its own inspiration, or the request of other institutions like the European Parliament.

Its report comes out just before Christmas, which sometimes means it becomes lost in the *pre-Christmas rush* of EEC activity, as the European Commission and the Council of Ministers desperately try to reached the decisions they have postponed throughout the year.

In spite of that, the annual report has managed, *often* by dint of annual *repetition,* to focus attention on key issues.

Mr Mart read the Riot Act to the Ministers of Finance from the 12 member states earlier this year, when he told them that if they were running a private company, he would have no option but *to* declare them bankrupt.

At issue was the gross underestimation of outstanding Community spending commitments. On the one hand, the Ministers had consistently failed to make any provision for the depreciation of their burgeoning stocks of deteriorating food. On the other, they had allowed a build up of promised spending on social and regional programmes to run far ahead of the actual cash available.

That so-called "burden of the past" has finally been taken into account thanks to the arrival in the Commission of Mr Henning Christophersen, former Danish Finance Minister, as Budget Commissioner. But even his efforts to get the member states *to make adequate provisions* have left a huge overhang to be dealt with in the future.

Mr Mart estimates the "gap" in the EEC budget now as approaching Ecu20bn—when the total budget comes *to* some Ecu36bn.

As a dedicated "European"—he was a *journalist* covering the EEC at the start of his career, then a spokesman for the Commission, a Minister in the Luxembourg government, and finally a member of the Court of Auditors—he feels frustrated that *his* powers are limited to the budget.

By focusing too much on actual spending, and not enough on the aspects of the EEC which have no obvious price, like removing national barriers to the Common Market, he *believes the Community gets* a bad name.

Nonetheless, he recognises that any effort to ensure that spending is not only done but seen to be well done can only improve the standing of Brussels, Luxembourg and their European institutions.

"The Court has been defined as the financial conscience of the Community," Mr Mart says. "We have several things we can be proud of. We were the first to tell the council there were a number of corpses in the cellar—and the cost of disposing of them is now about Ecu20bn. We have warned there was a permanent state of financial crisis since 1980.

"We are simply filling one *hole by digging another. It is an* artificial exercise in the budget and everyone knows it."

Quentin Peel

Steel production

Slow recovery from recession

ARBED, Europe's fourth largest steel producer, is making a slow and painful recovery from the toughest recession in its history.

But the turnround is at best a tentative one, for round the corner lurks a new threat in the shape of European Commission proposals for a second round of steel production quota liberalisations, to follow last year's *first phase of dismantling* the EEC's steel crisis plan.

Like many other convalescent steel giants in Europe, Arbed fears that looser EEC controls will hit prices hard just as it stands on the brink of better health.

"The market has changed since the Commission made its decisions over quotas," complains Mr Georges Faber, Arbed's president, who has been busy preparing counter-proposals with Eurofer, the European steel producers' association, to put to the EEC.

"This company has already reduced its capacity by 25 per cent from 6.4m tonnes over the past 10 years. We think that perhaps we have done enough. I can promise a very tough discussion on this," he says.

All this is happening at a time when Arbed is on its way to completing its third profitable year in a row, after having spent more than a decade in the red. The group's turnover slipped by just under 5 per cent to LFr 31.9bn ($773.5m) in the first six months of this year, while net profits climbed from LFr 499m in the first half of 1985 to LFr 802m.

However, Mr Faber is not expecting the recovery to go much further in present conditions. He expects that Arbed's end of year profits will be comparable to the 1985 result of LFr 1.12bn net and that 1987 might even see a return to loss, especially *if Europe fails to hold off* production quota relaxations. Prices already are under pressure from increasingly fierce competition from low-cost Third World producers.

The outlook for Arbed is *tantalising* for a country which is still smarting from the damage inflicted on its biggest single employer by worldwide steel over-capacity and plunging prices. For Arbed over the past 10 years has more than halved its workforce, from 29,000 to 13,000—*the equivalent* of scrapping 12 per cent of the working population's jobs—and it is still 500 job losses short of its final target.

What is remarkable is that the steel group has managed to shed as many as 16,000 steel workers in such a small country without creating a revolution. The secret lies partly with the LFr 8.5bn—more than LFr 23,000 per head of population—which the government has pumped into the company in new share capital since 1983, some of which was raised through a special steel tax.

That, plus another LFr 2bn of equity raised from Societe General de Belgique, a 24 per cent shareholder, and LFr 5bn of convertible bonds put in by domestic banks, allowed Arbed to afford to make the job cuts it needed without forced redundancies.

In a sense, Arbed and the Luxembourg government, which owns 31 per cent of the equity, had little choice but to do as much as they could afford to cushion the social impact of the restructuring.

"Our problem," Mr Faber explains, "was that we had to deal with an industry that had grown far too big for the size of the country. We were faced with how to avoid putting an insupportable burden on to the state."

But in a different sense, Luxembourg's small size made Mr Faber's job easier, for he recalls that he frequently found himself facing old friends and former colleagues at negotiating sessions with the government and steel unions.

In the event, a third of the reductions were achieved through early retirement, with another third through pay-offs of between six months and a year's salary for voluntary redundancies, and the rest through a policy of not replacing those who left.

However, workforce reductions alone were not enough. A large number of additional staff, up to 4,000 at one point, had to be found non-steel jobs within the company.

This took the form of a so-called anti-crisis division, which employed Arbed steel workers to do all manner of jobs from clearing woods for local authorities to—in a supreme irony—building a modern blast furnace as part of Arbed's attempts to cut production costs in the remaining steel activities.

The anti-crisis division fulfilled its role of keeping people off the unemployment register, in recognition of which the government agreed to subsidise up to 20 per cent of its salary bill. For even after the crisis, only 1.6 per cent of Luxembourg's total labour force is jobless.

All the same, running the division was a costly experience for Arbed. Mr Faber declines to say exactly how costly, but he points out that it never made a profit, *partly because divisional* wages were deliberately fixed in line with what staff would have got in their old jobs as skilled steel workers, which was well over the market rate for what most of them were now doing.

Always seen as a short-term measure, the *anti-crisis division* has been gradually run down so that it now has only 200 staff, most of which are expected to have retired by early next year.

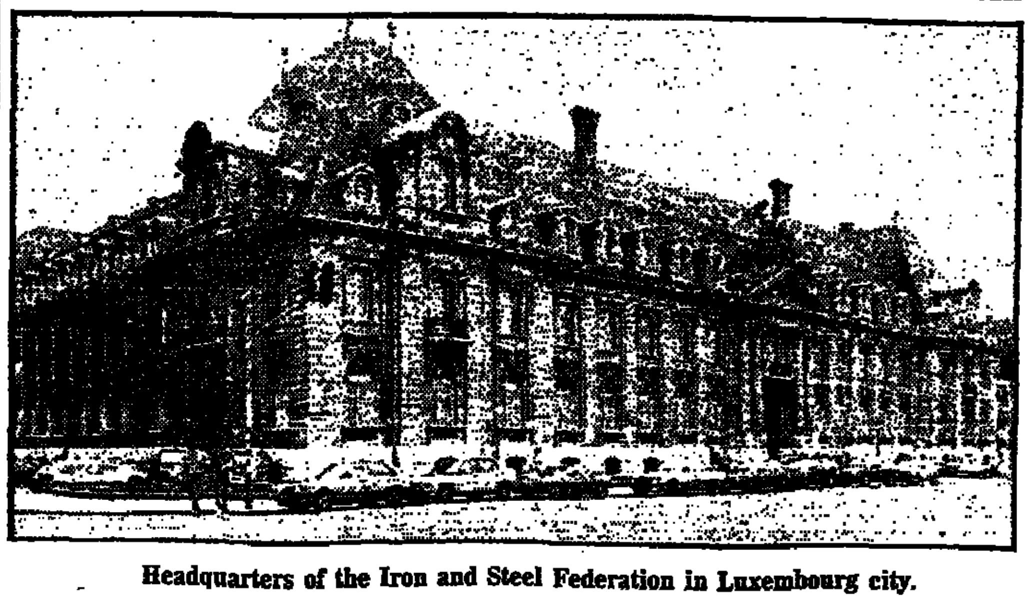
The effect of all these measures has been to allow Arbed to almost halve its debts from LFr 55bn to LFr 28bn over the past three years—an achievement in any industry but still leaving a suffocating burden of borrowings standing at 1.6 times the LFr 17.5bn in shareholders' funds.

In recognition of that progress, Arbed's share price stood earlier this month at about LFr 2,300, as against a low of a mere LFr 875 at the depth of the crisis. But even at their present level, Arbed's shares are priced at only some two-thirds of their nominal value, a *reflection of* the fact that the group has not paid a dividend for more than 10 years.

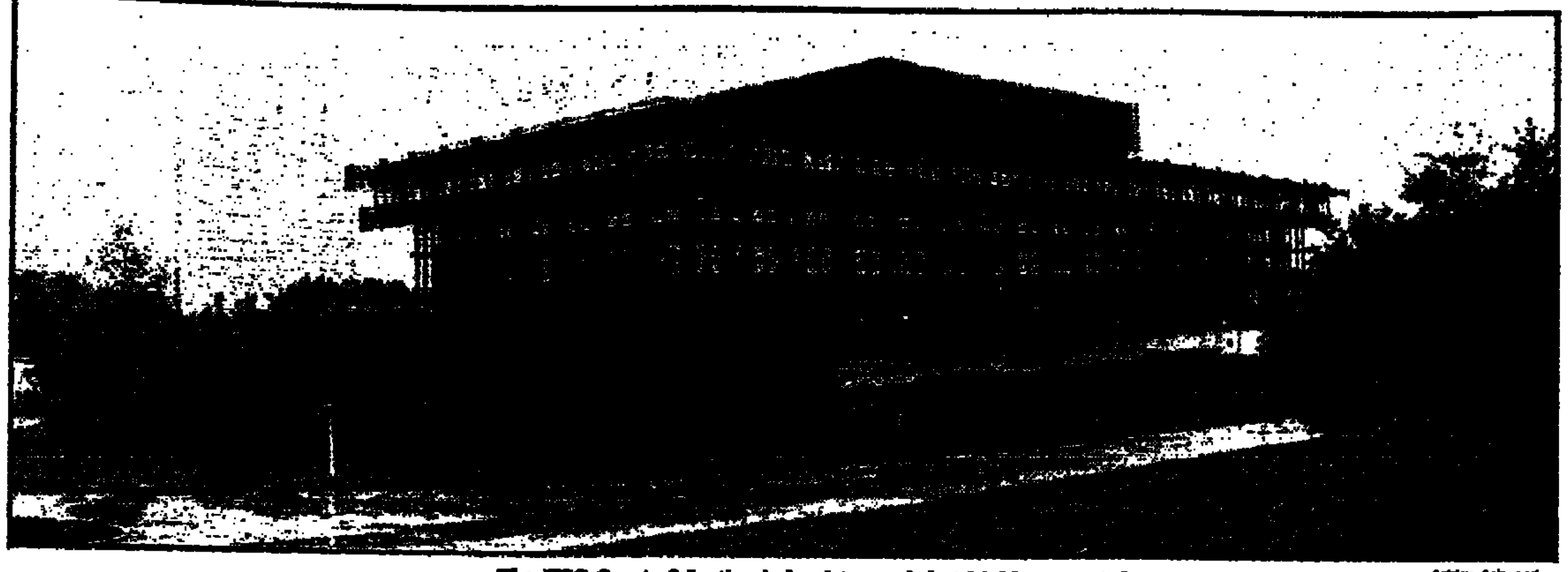
Mr Faber refuses to be drawn on when shareholders might expect to pay-out. "It will not be until we can guarantee that there *will* be regular dividends for every year afterwards," he says.

"We are not ones for paying a dividend one year and then changing our minds—and that means we may have to wait."

William Dawkins



Headquarters of the Iron and Steel Federation in Luxembourg city.



The EEC Court of Justice is hard to reach but highly respected — Ashley Ashwood

European Court of Justice

Referee in institutional warfare

IT IS little more than a stone's throw from the European Tower, where the EEC Council of Ministers meets for three months of the year, to the European Court of Justice.

To drive between the two requires a great circular detour, however, even if you do not get lost and find yourself half way to town. To walk still means crossing a dual carriageway, cutting through a hotel car-park, skirting the long grass and going round a building site.

The difficulty of physical communications between the institutions of the European Community seems to reinforce the divisions between them when it comes to carrying out the aims and ambitions of the founding Treaty of Rome.

Yet of all the institutions, the European Court of Justice has carved for itself the highest reputation, and is most widely respected by the rest. Increasingly, it has become the referee in institutional warfare, and the guardian of the traditions of the Treaty.

It is the institution least riven by national jealousies, in spite of drawing its 13 judges and six advocates-general from a host of differing legal systems, and having to work in 10 different languages (one more than Council, Commission and European Parliament, who do not use Irish). Its relative isolation from the regular hurly-burly of Community policies, tucked away in Luxembourg, gives it the sort of aloofness its position requires.

The Court does have one image problem: few outsiders can tell the difference between it and the European Court of Human Rights, which sits in Strasbourg. The latter is not a European Community institution, being an offshoot of the 21-nation Council of Europe, and lacking any powers to enforce its decisions on questions of human rights.

The Court of Justice, on the other hand, has quite specific powers to enforce the Treaty of Rome, powers which all the EEC member states now accept as taking precedence over their own national legislation.

"The Court is the one institution that has been really effective," Sir Gordon Slynn, the British Advocate-General, believes. "The Council is bogged down in a conflict of national interests. The Commission is frustrated because the Council does not act on its proposals, and the Parliament is frustrated by its lack of power.

"The Court has laid down enormously important principles, without which the Community would not be where it is today. The Court has been very effective in supporting Treaty objectives like the free movement of goods, and in control of the Community institutions, to make sure they toe the line and obey the law."

That may be a partisan view, even from a senior judge, but it is one widely accepted. In addition, at least in the UK, the Court has managed to raise its profile above the level of purely commercial law with a series of judgments on genuinely popular cases.

One was the case of Mr Stanley Adams, the former employee of Hoffman-La Roche, the Swiss pharmaceutical comany, who successfully sued the European Commission for releasing information which allowed him to be identified as the source of price-fixing evidence against his own company.

Another was the victory of Mrs Jacqueline Drake, who charged that the British government was guilty of sex discrimination in refusing to grant her an invalid care allowance as a married woman.

Earlier in the year, the Court ruled that British law requiring women to retire five years earlier than men was discriminatory, based on the case of former health service employee Mrs Helen Marshall. All featured on television and in the popular press in Britain.

That popular image has yet to be won in all EEC member states. Judge Ole Due, the Danish member of the court, fears that most people in Denmark only remember the decision which made the price of their domestic Aquavit spirit more expensive, and Scotch whisky relatively cheaper, by ruling against discriminatory tax rates.

The role of the Court as impartial arbiter of EEC affairs was also recognised by the heads of government at their Luxembourg summit in December 1985.

Efforts to reach agreement on reforms to the Treaty of Rome were deadlocked until Mrs Margaret Thatcher, the British Prime Minister, suggested the Court as the final judge of when national measures to protect health or the environment amounted to no more than hidden barriers to trade. Everyone could accept that.

Yet some, particularly critics of the EEC as such, see the court as being too political. Because the Treaty of Rome and EEC directives are sometimes almost deliberately ambiguous, the Court has had to interpret the law.

"The Court is a creative court," Sir Gordon says. "But we have to be careful not to step into the legislative area. We are not the legislator. That is the Council."

Judge Due puts it the other way round. "I think the Court does play too big a role among the institutions—because the other institutions do not do enough," he says. "If and when the Court takes decisions on political questions, it is normally because the political institutions have failed to reach a decision."

The classic cases involving such failed decision-making on the part of the other institutions—which means primarily the Council of Ministers—are those involving transport and insurance.

On the former, the Court has ruled that the institutions have a duty to draw up a common transport policy. They also have a duty to enforce the rules of free competition in the disputed field of air transport, it has said.

The major insurance decision, on a Commission case against West Germany, Denmark, Ireland and France for refusing to open their national markets to non-life insurance, is expected before the end of the year. That follows 10 years of stalemate on the issue in the Council of Ministers.

The problem for the Court is that it is gradually being overwhelmed by the increasing volume of work.

It does not exactly show in the hushed corridors, nor does its popularity shine out from court rooms deserted by all but the judges themselves, as they listen to an opinion delivered by one of their colleagues.

But that is a function of the Continental court system, which keeps oral debate to a minimum, and written procedures are the order of the day. British judges like Lord Mackenzie Stuart, the president of the court, and Sir Gordon Slynn, have introduced more open questioning into the proceedings, but it still remains the exception, not the rule.

Huge piles of written submissions now accompany the growing volume of cases, particularly on detailed technical matters such as competition and anti-dumping cases. The answer from the Court is to plead its own cause for a new Court of First Instance.

In principle such a move was agreed in the reforms to the Treaty of Rome approved by the heads of government at the Luxembourg summit, embodied in what is called the Single European Act. That has to be ratified by all the national parliaments (supposedly by January 1), and only then can the Court propose the arrangements for such a new adjunct.

The idea is that the Court of First Instance would consider all the EEC staff cases currently coming before the full court, as well as all those requiring investigation of detailed facts like the competition and anti-dumping cases.

In the meantime, building work is already under way to extend the court's premises, so that it can accommodate all its staff in one building. About half the 500 currently work in temporary buildings, or sub-let office space from the Commission.

That shows a firm commitment to stay in Luxembourg. "It may be a nuisance to the parties to come here," Judge Due says. "For the Court it is no nuisance. It is nice to be in a rather secluded place. The quiet surroundings are rather healthy."

Quentin Peel

European Investment Bank

Banking on caution

THE European Investment Bank is an institution which makes a positive virtue out of being dull and worthy. Some would say it is paranoid about publicity.

Yet it is a lending institution which has shown astonishing growth over the past decade or more, boosting its loans from little more than Ecu 3bn (£2.2bn) in 1974 to more than Ecu 30bn in 1985, without counting the money it lends on other people's behalf (such as the European Commission.)

It enjoys a triple-A credit rating on the international capital markets, which show no apparent indigestion at its increasingly frequent calls for finance. In 1985, for example, it approached the markets with 37 public borrowing operations, for a total of almost Ecu 4.23bn in a whole host of different currencies.

Apart from being the largest banking operation in Luxembourg, the EIB is now the second largest multilateral lending institution in the world, after the World Bank.

With a certain smugness, its officials point out that it provided about $7bn in finance last year with a staff of some 650, compared with the World Bank's $8.5bn from a staff ten times the size. They then have to admit that they are not exactly operating in the same field.

The EIB lends 90 per cent of its funds to operations within the European Community member states, which between them subscribe its paid-up capital, and whose guarantees underwrite most of the projects concerned.

Although it lends a small proportion to the much riskier developing country projects financed by the World Bank, it is not involved in any of the broad structural adjustment loans offered by that organisation, requiring profound economic analysis.

Nonetheless, it still bends over backwards to be cautious and conservative in all its lending schemes, insisting on redoubled security.

"Projects must be economically viable. There must be a sound borrower. And there must be adequate security, which means the guarantee of a member state, or something equally good," says Mr Dennis Kirby, former regional director for Britain's Department of Trade and Industry, who is now EIB manager for UK, Irish and North Sea operations.

"We do need rather stronger security than a commercial lending bank. We haven't got room for large provisions for bad debt."

'We need stronger security than a commercial bank. We have no room for large bad debts'

The EIB is both a Community institution and a bank. It dates back to 1958, when it was set up by the then six member states to finance capital investment "promoting the balanced development of the Community." The main emphasis was in regional development, EEC infrastructure and industrial restructuring, particularly in the declining industries such as textiles and shipbuilding.

The bank started out with subscribed capital of just Ecu 1bn, which has been increased in line with lending activities, and the successive enlargements of the Community, culminating in the latest doubling on January 1, 1986, from Ecu 14.4bn to Ecu 28.8bn, coinciding with the entry of Spain and Portugal.

Its statutory lending limit is 250 per cent of subscribed capital: the ceiling therefore increased from Ecu 36bn last year (in imminent danger of exhaustion), to a current level of Ecu 72bn, which should provide some future leeway.

The real acceleration in the bank's activity dates from 1973, when the accession of the UK, Ireland and Denmark coincided with the first oil shock. Energy investments became another major priority for lending, with the aim of cutting back on EEC oil imports and financing alternative energy sources.

To those priorities — and regional spending still remains of overriding importance — have now been added the promotion of high technology, and environmental spending on sewerage schemes and the like.

The bank is in most things independent of the other Community institutions, although it ultimately reports to the 12 EEC Finance Ministers as its board of governors.

Its funds are by no means evenly distributed across the EEC. By far the largest proportion — pre-Spain and Portugal — went to Italy, followed by the UK, with France third and Greece fourth. Out of Ecu 5.64bn lent from the bank's own resources in 1985, Italy received Ecu 2.6bn, and the UK Ecu 1.1bn.

In addition to the money the EIB raises from its own borrowing, it is used by the European Commission to manage the allocation of funds from what is known as the New Community Instrument — money raised on the capital markets by the Commission itself for similar schemes, although with more emphasis on promoting small businesses, and less on regional development.

Quentin Peel

Away from the banks: the old part of the city.

Tourism

Day trips boost income

TOURISM IS Luxembourg's third industry after steel and banking. Blessed with a central European location, delightful countryside and a multilingual population, the country has long been a favourite with visitors from Holland, West Germany and Belgium.

Figures for the number of tourists are difficult to calculate. But the country's tourist office says last year's hotel and restaurant income rose just over 13 per cent to LFr7bn and total receipts from tourism could be twice as high as this.

Officials at the country's statistical service say, however, that this could be underestimating the effect of "frontaliers" or border hoppers, who pop across Luxembourg's largely open frontiers to do some shopping along with a little sightseeing.

Anyone who has driven through Luxembourg cannot have failed to notice the well-stocked garages bursting with cigarettes, cigars and alcohol. The statistics office says visitors eager to pick up a cheap bottle of wine or low-tax cigarettes may account for an estimated one third of all sales of petrol, tobacco or alcohol in the Grand Duchy.

But just as in steel and banking, the last few years have seen a rapid change in demand. Camping, once a mainstay of the country's tourist industry, is in decline as growing affluence has led to a demand for more comfort. With over 98 per cent of its own population now going abroad on holiday, Luxembourg has also faced major competition from more exciting locations.

The government has responded with a series of long-term plans involving grants and loans, designed to encourage investment to improve the standard of the country's accommodation.

Backed by the government, the Luxembourg tourist office is also now making an all-out attempt to win business in the international congress and symposium market.

Earlier this year, Mr Jacques Santer, the Prime Minister announced that the country would boost its spending on promoting itself internationally at tourist industry fairs.

The facilities are there. Luxembourg offers organisers a ready-made congress centre in the European Parliament buildings just outside the capital, with the possibility of simultaneous interpretation and a new debating chamber used only infrequently by the parliament itself.

The last few years have seen steady growth in congress business. This year has already seen meetings of international police forces, experts from extracting industries, photographers and lorry drivers. And, before Christmas, Luxembourg hotels will be filled with General Motors dealers, cyclists, doctors and foreign exchange dealers.

But one of the main problems faced by the country's tourist industry remains how to persuade the congress participant or visiting banker to stay longer than the time needed to finish his or her business.

Last year's tourist office figures show a jump of almost 9 per cent in the number of arrivals and guests stayed on average 5 per cent longer.

But the average stay in the capital is still under two nights and even in hotels on the picturesque banks of the Moselle overlooking West Germany and the Grand Duchy's own vineyards, guests stay fewer than three nights on average.

Part of the problem has been a shortage of the sort of high-class hotel preferred by the visiting businessman or well-off Belgian dentist stopping over to invest his savings out of sight of the taxman.

In the last few years, however, the situation has changed dramatically. Luxembourg city now boasts at least five top-class international hotels where ten years ago there were none, and the cuisine today is more likely to be nouvelle than grandmother's.

The government's grant and loan plan has also been used to improve the standard of accommodation in other parts of Luxembourg such as the country's own stretch of Ardennes, and the starkly beautiful "Little Switzerland" on the German border near Echternach.

The tourist office and individual towns have also made great efforts to publicise the attractions of a trip outside the capital and major investments have been made in restoring some of the country's imposing monuments, such as the castles of Beaufort, Vianden and Bourscheid.

The tourist offices next plan is to try to improve rail links with the country. A link with the French high-speed train network could cut 40 per cent of the travelling time between Paris and Luxembourg, it is estimated.

One area which has been booming, however, is the country's airport at Findel. Last year saw an increase of almost 12.5 per cent in the number of non-transit passengers to just under 900,000 and all 13 airlines using the airport saw an increase in business despite fears of terrorist attacks.

British Airways also ended a three-year absence from Luxembourg and now has regular services with London alongside those already in operation by the country's own airline, Luxair. The airport now has regular links with 41 different European and intercontinental destinations.

By a Special Correspondent

Air transport

Freight trade growing

AT FOUR KILOMETRES long, Luxembourg Airport's recently extended runway has become the longest commercial landing strip in Europe.

It is a telling fact because it underlines how Luxembourg is trying to change its traditional identity in the air transport world as being primarily a convenient and economic stopping off point for chartered passenger flights from outside Europe.

The new market which Luxair and Cargolux, the Grand Duchy's two main airlines, are now putting all their resources into cultivating is freight rather than people.

The extra long runway (normal commercial length is about 3 km) is needed to give heavily-loaded freighters enough distance to land safely.

Mr Joseph Colbach, sales manager for Luxair, which does the ground handling for all freight passing through the airport, says: "This airport can at the very most attract 3.5m passengers a year, which is pretty small by international standards. On the other hand, we see a growing cargo business in Europe, which will concentrate on the very few airports like ours which have modern handling facilities.

"This is why Luxembourg really wants to project itself as a cargo place," he says.

The change in emphasis is partly driven by necessity. Increasingly fierce competition on passenger routes has sapped demand for facilities under the so-called fifth freedom of the air, something which Luxembourg is one of the very few air destinations in the world to offer.

This allows airlines from a third country to land in Luxembourg, pick up passengers and proceed to another destination. But it is permitted under air transport competition rules only if it does not harm the interests of local airlines. And as carriers have fought harder than ever to hold their shares of a static market, this kind of arrangement has tended to become less popular.

Icelandair, for instance, was forced last year by objections from the Madrid Government to abandon its Luxembourg to Spain services, though it still runs flights through the Grand Duchy to the US. Aeroflot too uses Luxembourg as a stopping off point on its way to Lima, Havana and Kingston, Jamaica.

Spearheading Luxembourg's attempts to build up a greater presence in air freight is Cargolux, Europe's largest all-freight carrier, which is now celebrating a recovery after two traumatic years in 1982 and 1983 in which it lost LFr 1bn.

Revealingly, Cargolux (by far the larger of the two domestic carriers in turnover terms) is also Luxair's fastest growing source of business.

Cargolux's problems were partly self-inflicted in that it put the majority of its borrowings into dollars just before US interest rates started hitting record highs. But it was also an innocent victim, like the industry as a whole, of the fuel price rises of the time.

However, a cut in staff numbers from 500 just before the crisis to 315 now, a LFr 700m capital injection from its airline, shipping and banking investors and the appointment of a tough new chief executive has brought the carrier well back to health. The group announced a rise in net profits from LFr 31.9m to LFr 1.2bn in 1985 on turnover up from LFr 6.3bn to LFr 6.6bn.

Luxair produced a slight decline in net revenues from LFr 89m to LFr 66m on turnover up from LFr 2.6bn to LFr 2.9bn over the same period. "Cargolux almost went into liquidation," says Mr Sten Grotenfelt, who was drafted in as chief executive to engineer the group's recovery three years ago.

Mr Grotenfelt was put in by Salen, the Swedish shipping conglomerate, which is the largest single shareholder with almost 20 per cent of the equity.

Apart from reducing the airline's running costs and presiding over a refinancing, Mr Grotenfelt introduced two important management reforms to Cargolux. The first was to steer the airline firmly back to its traditional market, running freight to routes that were too out of the way to be a major interest to the big national airlines.

For Cargolux had gained a reputation before Mr Grotenfelt's arrival for attempting to compete head on against big combined freight and passenger carriers and slashing its prices in the process, a game which a group of its small size was poorly equipped to play.

Throughout its 16-year life, Luxair has survived best by establishing lucrative footholds in niche markets and then moving on when major airlines start to encroach.

Its most recent step in this direction was the opening in October 1985 of a twice-weekly service to Fukuoka, southern Japan. "Sometimes our major competitors are just too big to be able to answer customers' very specific needs, and that's where we should come in," explains Mr Grotenfelt.

A more striking example of Cargolux's willingness to pursue unusual but nevertheless profitable markets is its contract with Tranair to carry 95,000 Moslim pilgrims annually to and from Mecca in three Boeing 747s taken on two-month leases for the occasion.

Cargolux's second, perhaps more profound, reform was the introduction after the crisis of a new computer system, dubbed by the management as cargo handling and management planning, or Champ. The group knew that its cargo handling and cash management could be made more efficient, but since the computer software market could offer no system that would meet Cargolux's special needs, the company hired two US computer experts to build its own.

Mr Grotenfelt will not divulge Champ's development costs, but he does point out with pride that they have already been covered by sales of copies of the system to other airlines. Beyond that, the feeling among Cargolux technical staff is that the system's greatest impact has been on pricing.

Before Champ was up and running, it took Cargolux up to seven weeks after shipment to work out whether or not it had made money on a particular job; a symptom of the complications that arise from operating in up to 60 different currencies on any one day.

Now the system, linked to all of Cargolux's 31 offices worldwide, automatically boils down everything to one or two representative currencies — usually dollars or LFrs — and tells the management two days after each weekly accounting period exactly where they are making profits.

William Dawkins

Broadcasting

Big stake in satellite TV

MARCUS BICKNELL does not mind admitting that until last February he had only a vague idea where Luxembourg was.

That was when the British-born founder of the Music Box cable television channel moved to the Grand Duchy to take one of the most controversial jobs going in European broadcasting. In the process, he proved to himself that Luxembourg was—contrary to what many Europeans imagine—more than just a notch on a radio dial, and became part of the tiny country's latest bid to enlarge its influence over this fast changing industry.

Mr Bicknell is commercial director of Société Européenne des Satellites (SES), which has, in the 18 months since it was set up, swallowed LFr 4bn ($97m) in an attempt to become the first private satellite broadcasting venture of any kind in Europe.

"It's a huge risk," he admits. "We are either looking at total failure if the satellite goes down or if we find no takers for the channels, or we could be looking at a bonanza with television links to tens of millions of homes." As it is, last May's explosion of the European space rocket Ariane, on which SES plans to launch its Astra satellite, has put the project a year behind schedule.

SES is very much the brainchild of the Luxembourg Government, which played a big part in its birth, owns 20 per cent of the shares and is pledged to guarantee up to LFr 3.5bn of SES borrowings. As such, it is the country's main weapon in a European battle to win the high ground in direct broadcasting—the transmission of satellite television programmes to individual receiver dishes mounted on viewers' homes. If all goes to plan, SES now plans to launch its medium power satellite in February 1988 to broadcast 16 channels across Europe from Norway to Gibraltar.

Luxembourg's traditional prominence in European broadcasting dates from the establishment in 1929 of the privately owned commercial station RTL, which is now struggling to come to terms with the deregulation of French television, one of its most important markets.

Owned by Compagnie Luxembourgeoise de Télédiffusion (CLT), the group has over the past 57 years built an impressive and seemingly impregnable empire covering Belgium, France, Britain and West Germany.

RTL's French radio programme claims 11.6m regular listeners, its German equivalent has another 6.3m addicts, while 2m Britons regularly tune in to their own Radio Luxembourg. Meanwhile, an average of 2.2m viewers daily watch RTL's French language television broadcasts to southern Belgium, eastern France and the Grand Duchy itself. The latest addition to the empire, the German television channel RTL-Plus, has grown to cover 1.4m out of the 22m German homes with television since it started in 1984.

RTL has also diversified into related areas like publishing, video recording and software. Given the sheer muscle of this LFr 10.38n annual turnover group, the outside observer can be forgiven for wondering why CLT is not today running SES. Indeed, the Government offered CLT—its biggest taxpayer—the chance three years ago to run the direct broadcasting channels allotted to Luxembourg. CLT seemed the obvious choice, but its consortium of Belgian, French and domestic shareholders was unable to agree for mainly political reasons.

CLT had already chosen a different way to enlarge its European coverage, explains Mr Gust Graas, the group's director general. He was already in deep negotiations to hire two channels on the rival French TDF1 direct broadcasting satellite, due to be launched next year.

"We could see no need for more channels than that," says Mr Graas. "In any case, SES will be working with telecommunications frequencies (unlike TDF1, which as a high power satellite, will use different frequencies) so they will need authorisation from the PTTs—and it is not yet clear if they will get it." CLT is also negotiating to operate France's channel five and is a candidate for channels on the new German direct broadcasting satellite, TV Sat.

But like the satellites involved, neither the French nor the German potential agreements have yet left the launching pad. They are, however, important enough for CLT to try hard to avoid scuppering them by being seen to talk too closely to SES. All that Mr Graas will say is: "We are certainly considering whether or not to take an SES channel as part of our European strategy, but we are far from decided."

His attitude has at any rate softened. After CLT rejected the Government's offer, it became one of the most vociferous opponents of the SES project because of the damage it might inflict on CLT's French ambitions.

After being dropped by CLT, the project was then offered to Dr Clay Whitehead, an American lawyer and former chief executive of Hughes Communications. But he failed to attract the finance he needed, partly because of RTL's opposition, but also because of fierce resistance from Luxembourg opposition parties, anxious at the prospect of opening European airways to a US television invasion.

A government committee set up to promote the project then recruited Dr Pierre Meyrat, former founder of Zurich-based Tele Club, Europe's first pay television service. Under more European colours, the venture succeeded in pulling in an initial LFr 330m in March last year from 11 institutional investors and the state.

SES will not compete directly against CLT because it will merely—if all goes well—be leasing satellite channels, rather than producing broadcasts for them. Its main existing competitors are therefore (albeit for different transmissions) the satellites run by European PTTs, whose goodwill needs to be earned before SES can do any business at all.

The telecommunications signals broadcast by European PTTs can only be received by large dishes, quite unsuitable for SES-type direct broadcasting. However SES will have to use frequencies over which the PTTs have traditionally held a monopoly.

But the PTTs have in general been reluctant so far to let SES onto their airwaves. SES in July offered them a package worth $70m over 10 years with the use of three of Astra's transponders, but any agreement still seems some way off, admits Mr Bicknell.

Assuming SES gets the licences it needs, it will have to find customers for seven of its 16 channels to break even. So far, the Swedish broadcasting group Scansat has signed for one and taken an option on a second, with a major British media company showing interest in a third, says Mr Bicknell.

European Commission proposals in June for free broadcasting and reception throughout the community certainly put SES—at least in theory—on the side of the angels. However, the realities of business life in the increasingly high technology world of broadcasting are rather harder.

"The investors know the odds," says Mr Bicknell. "They have played their dice and now they are just sitting back and seeing how the roulette wheel turns."

William Dawkins

Nuclear campaign

Protests on French power station

THE SOUTH-EASTERN corner of Luxembourg is a patchwork of magnificent beech woods, fields and old villages, with grape vines clothing the hillsides that face south across the river Moselle.

But dominating this tranquil scene on the French side of the Moselle is an ultra-modern nuclear power station, its four giant cooling towers visible for miles around.

To most Luxembourgers, Cattenom nuclear power station represents a powerful threat, a constant reminder of the powerlessness of their tiny nation compared with its big neighbour.

Cattenom has dominated the political life of Luxembourg for the past eight years. The irony is that building of the French plant started in 1978, just months after Luxembourg had scrapped plans to build its own nuclear power station at Remershen, also on the Moselle.

Though Luxembourg imports 95 per cent of its electricity (mostly from Germany), it finally rejected the nuclear option for itself in November 1977 after a vigorous campaign by the environmental pressure group Mouvement Ecologique, endorsed eventually by the then ruling Socialist party.

The construction of Cattenom just eight kilometres from their border was a slap in the face to Luxembourgers. When all four of the plant's 1300 kW reactors are complete in 1990 it will be one of the four largest nuclear power stations in the world.

Two-thirds of Luxembourg's population, all of the country's major medical facilities and the steel works that form the backbone of its industry will be within a 40 km radius—the area that would suffer the greatest impact in the event of a major accident, according to nuclear experts.

Luxembourgers believe an accident at Cattenom could effectively destroy their country, and since Chernobyl they are ill-prepared to have such fears dismissed.

However, Luxembourg's campaign against Cattenom is not harping on the ultimate threat, but on its lack of democratic control over a process that significantly affects its environment and its people. Far from sympathising with the Luxembourgers, the French seem super-sensitive about their sovereign right to do what they want on their own soil.

The trouble is that the waste products of the power station (reactor No. 1 started up on October 23) are not confined to French territory. Liquid radioactive discharges flow down the Moselle to Luxembourg and Saarland, and gaseous emissions blow across their frontiers.

Further, French safety limits on radioactive emissions, which govern Cattenom, are based on "safe" radiation levels of 60 curies per year—five times higher than the 12 curie limit set by Luxembourg and West Germany.

A Franco/Luxembourg convention signed in March this year gives Luxembourg some say in the operation of the plant. However, it has had a stormy reception from public and politicians, and is unlikely to be ratified until new issues arising out of the Chernobyl accident have been discussed.

Among other things, the convention sets limits on fluctuations in the temperature of the Moselle to protect its water life, and provides for a panel of experts to convene if discharges on any one day exceed 20 per cent of the annual permissible level.

Mouvement Ecologique believes this gives insufficient protection against sudden surges; German regulations stipulate that on no single day must emissions from a nuclear power station exceed one hundredth of the annual total.

Chief among the convention's perceived weaknesses, however, is its failure to provide an automatic alarm system to which Luxembourg would be linked.

"We believe this is very important for two reasons," says Mr Nicolas Schmidt, head of a new inter-ministerial government committee on Cattenom. "Firstly, we cannot accept that the security of our country has to rely on an independent company, the EDF (Electricité de France), which is at present responsible for reporting accidents.

"Secondly, we believe we should have access to informaton immediately because every minute is vital in organising assistance to people, and possibly evacuation."

Luxembourg's misgivings were reinforced when, on August 25, a leaking pipe at Cattenom flooded two reactors with 400m litres of water. Notice of the accident was given eight hours later, and full details emerged only slowly.

While the convention presupposes that Luxembourg will have to live with Cattenom, efforts to halt construction have not ceased. These have included a direct appeal by the Luxembourg government to the French government.

According to Mr Théd Faber, president of Mouvement Ecologique, President Mitterrand of France promised during his election campaign to stop construction of Cattenom if he came to power. But he failed to fulfil his pledge, and on June 5, 1981, Luxembourg's anti-Cattenom Committee bought a full page in *Le Monde*, the French daily newspaper, to publish a letter of protest, which was signed also by the Christian-Socialist party and the Socialists.

Cattenom continued to grow behind coils of barbed wire. A public inquiry held by EDF in November 1985 on the levels of emission—to which only written submissions could be made—also failed to affect the issue.

Now, 37 Luxembourg communes, together with the West German state government of Saarland, have a case before a civil court in Strasbourg, based on the Euratom Treaty of 1957—the only supra-national legislation governing nuclear power plants in Europe.

The case contends that Cattenom violates the treaty's ALARA principle (As Low As Reasonaby Achievable) on radioactive emissions, and also that four 1300 kW reactors are being constructed when permission was granted originally for only two 1300 kW and two 900 kW rdeactors.

A recent preliminary ruling by the French court said Cattenom was in violation of Euratom on both counts, but refrained from suspending construction on the grounds that too many financial interests were at stake.

"It's a scandal that the nuclear lobby is considered more important than the population of the region and its safety," says Mr Jup Weber, an independent member of the Luxembourg Chamber of Deputies.

Because of the intense public interest, all Luxembourg's political parties have had to recognise the importance of the Cattenom issue. However, the political front may be less united than it seems superficially. Earlier this year there were reports that the partly state-owned electricity company, Cegedal, was planning to buy energy from Cattenom. (It backed down under vigorous protest from the Mouvement Ecologique.)

Further, according to Mr Faber a report commissioned in 1981 by the government from an independent nuclear scientist, Dr Pierre Courvoisier, on security aspects of Cattenom was suppressed. The late Dr Courvoisier was head of security for Switzerland's nuclear industry, so his analysis carried considerable weight.

Mr Faber contends that the report was "forgotten" because its detailed criticisms were an embarrassment to a Luxembourg government that has interests other than Cattenom to consider in France. One such is the bid by Luxembourg's dominant television company, CTL, for the fifth channel on French television.

Nicolas Schmidt's inter-ministerial committee is engaging two new experts to bring the security analysis up to date, and to study international law relating to nuclear power plants in the hope of strengthening Luxembourg's case against Cattenom.

Though few believe that Luxembourg will succeed in stopping Cattenom entirely, reactors three and four are still far enough from completion, Mr Schmidt says, to give the campaign something big to fight for while continuing to press for tighter security measures overall.

For Mr Faber, however, the campaign means something more than practical achievements: "There *has* to be a point at which we stop; not everything that becomes technically possible has to be accepted politically. I think in future there will be a reorientation towards things more humane and environmentally friendly."

Sue Armstrong

Demonstrators at Cattenom: two thirds of Luxembourg's population lives within 40km.

Culture 'clash' for expatriates

A NEWSPAPER recently carried an advertisement for a banker based in Luxembourg. Along with a "competitive salary," the advert also tempted the prospective candidate with "the attraction of a metropolitan centre and European capital, Luxembourg."

The advert may have been effective, and it may have pleased Luxembourg's tourist office. But the reaction among the country's expatriates was mostly raised eyebrows and stifled laughter.

For whatever attractions Luxembourg does have—and it has several—being a lively metropolitan centre is not one of them.

New arrivals from Paris or London often suffer a severe case of cultural deprivation in their first few months.

Apart from a handful of cinemas, where many of the films are in English, evening entertainment is limited. A couple of theatres offer local or imported productions in French, German or the native Luxembourgeois. But the English-speaking theatregoer has to make do with mostly amateur offerings and the inevitable Gilbert and Sullivan.

Classical music fans fare slightly better with regular recitals by Radio Luxembourg's own orchestra and two festivals each year, one in Wiltz and one in Echternach. Pop and jazz, however, are scarce.

An evening out thus tends to be spent in a restaurant or one of the "in" bars with the unlikely names of The White Rose, The George and Dragon or The Cockpit.

Faced with this lack of after-work pursuits, younger residents are not keen to stay on longer than they have to. One senior British banker complained that his teenage children managed to find an excuse each school holidays to avoid coming to Luxembourg.

But other expatriates swear by the place, relishing the high standard of living and the relaxed pace of life, as well as Luxembourg's central location in Europe.

Luxembourg is no tax haven, contrary to widespread belief. Basic tax rates are due to be cut by 2 per cent next year to 38 per cent, although European Community employees get a special deal and the government is looking at ways of tempting senior banking experts to come to Luxembourg by offering tax concessions.

But you hear few complaints since high salaries more than make up for the taxes in most cases and food, drink, cars and houses are relatively cheap.

Luxembourg is the richest country in the EEC, measured in terms of earnings, with an average income of about £11,500 a year and much of this is due to high salaries for foreign residents. In contrast, Britain boasts an average income per head of just over £9,000.

Schools for expatriates are good and health care is excellent. In Luxembourg, going to the doctor is like buying a car. You choose your specialist out of the phone book and if you don't like the treatment, you change to someone else.

Rents in Luxembourg city itself can be high. But many expatriates choose to live just outside town, where a three or four-bedroomed house with garden can be had for the price of a small flat in London.

Many people also enjoy the fine countryside. There can be few European capitals where a 15-minute drive from the office sees you out of the city and in the middle of woods or rolling fields. Another half-hour and you can be in Luxembourg's "Little Switzerland," an area of real beauty with wooded hillsides and rocky outcrops just near the German border.

The change from a mainly agricultural economy to a banking centre of regional if not international importance has been abrupt and has meant a large influx of money into a tiny country.

Most of this goes on conspicuous consumption—new Mercedes cars, abundant jewellery and fur coats are much in evidence even on trips to the supermarket, and the centre of Luxembourg boasts an impressive *collection of* expensive shops offering an array of designer fashions, gold watches and diamonds.

But the sudden wealth has not destroyed the small town atmosphere of most of the country.

Shops close religiously between noon and 2 pm and business remains a civilised affair, with everything stopping for a long lunch.

The small town feel applies to the bureaucracy, too. Like most countries in Europe, setting up home in Luxembourg involves a bewildering number of forms to fill in to register with the authorities. But unlike other countries, you can usually get to talk to the person who is actually dealing with your application.

The same applies for the mundane problems of everyday life. Long-term residents often regale the newcomer with apochryphal stories of calling up a minister to complain about a pothole in front of their home.

While not all of these stories are true, the phone book does list the numbers of government ministers' offices and a quick call to the head of, say, the Post Office, can produce startlingly quick results.

Luxembourg is also surprisingly free of antagonism to foreigners, even though about *25 per cent of the country's* population and a much higher proportion of the working population are not Luxembourgers.

With more than half of the places at kindergarten and primary school being taken up by foreign children, some backlash might be expected. But Luxembourgers, who have perhaps been hardened by 22 invasions in the coutry's history, seem to welcome the contribution made by foreigners.

The Luxembourg solution is one of separate development rather than ntegration. The country is proud of its motto "Mir wolle bleiwe wat mir sin" (We want to stay what we are) and proud of its survival through two world wars which saw German troops march across the country.

Different nationalities tend to stick together and an invitation to a Luxembourger's home is a rare event for the expatriate.

The native Luxembourg language, a Moselle-Frankish dialect which owes much to German, is spoken everywhere and although almost everybody also speaks French and German, a foreigner who takes the trouble to learn the language invariably receives a much warmer welcome and often gets better service in the shops.

Finally, the one attraction that almost all foreigners cite about Luxembourg is that when the quiet life gets too much, it is easy to get away.

Situated right in the heart of Europe, you can be in France or Germany almost before the car is in top gear. Paris or Brussels are only a few hours away and London can be reached comfortably in a day's driving, or in just over an hour by plane.

Special Correspondent

Strollers in the Grand Rue paved shopping precinct

Wines

Quality that is little known

THAT NOT many people know Luxembourg wines is due mainly to the fact that Luxembourgers drink almost as much wine as they produce and only a comparatively small amount, some 7m litres, is exported.

But the white wines produced on the slopes of the Moselle on Luxembourg's border with Germany are rightly renowned by those who know them.

The country's wines are dry and refreshing and go well with fish or can be drunk on their own without the day-after headache that heavier wines cause. There are seven main types, all white:

Elbling, until recently the most common, is a dry, but sometimes tart white wine drunk as an everyday table wine.

Rivaner, which has now overtaken Elbling as the most common wine, is produced from a cross between Riesling and Sylvaner grapes. It is a mild, dry wine with a distinctive flowery bouquet.

Auxerrois, a full-bodied, fruity wine, is ideal as an aperitif.

Pinot blanc, a white burgundy, is fresh, dry and fruity. An ideal wine for fish or seafood.

Pinot Gris or Rülander, higher in alcohol than most of the other wines, is smooth and full of flavour. It is often served with roast meats instead of a red.

Riesling, the aristocrat of Luxembourg's wines, is fine, dry and fragrant and goes well with most dishes or on its own.

Traminer, a mild wine with a high alcohol content, is another quality wine with a slightly spicy bouquet.

In addition, there is a small amount of **Pinot Noir**, a light rosé wine, and several excellent sparkling wines which at their best can rival some of the French champagnes.

Luxembourg wines are normally drunk young, while they still have their characteristic fresh and fruity taste. Although 1986 is likely to produce abundant amounts, the quality is unlikely to be as high as in 1981 or 1983, both very good years, or last year, which is already being described as an excellent vintage.

Luxembourg has strict controls over the quality of its wine. The Marque Nationale system of testing wines was first set up in 1935, and most bottles now carry the distinctive oval label on the neck which is a guarantee of quality.

The semi-state wine office also awards three higher mentions for wines of higher quality: "Vin classe" for selected wines, "Premier cru" for high quality wines, and "Grand premier cru" for the finest of the country's wines.

Wines also carry the name of the area or vineyard where they originated. Wine drinkers argue endlessly about their preferred spot, but Wormeldange is undoubtedly the country's Riesling capital.

Undoubtedly the best way to discover your favourite is to follow the "wine road" from Wasserbillig to Schengen, on the border with France and Germany. But if time is short, here are a few suggestions: 1983 Riesling Wormeldange Köppchen Grand Premier Cru; 1983 Pinot Blanc Markusberg Grand Premier Cru; 1983 Auxerrois Wormeldange Pietert Grand Premier Cru; 1985 Riesling Felsberg Grand Premier Cru; 1983 Gewürztraminer Markusberg.

If you are not a wine drinker, do not despair. Luxembourg boasts a beer industry which traces its history back to the Middle Ages. Today five breweries produce enough to satisfy the Luxembourger's thirst for an average of more than 100 litres a year.

Special Correspondent

Where to stay and where to eat

THE WEALTH of Luxembourg is reflected in the number of cars on the roads—officially estimated at 164,000 for a population of 360,000. Traffic, especially in Luxembourg City, can be heavy.

Times to avoid are between 7.30 and 9 am and 4.30 to 6 pm—anyone trying to catch a train or a flight at these hours should allow up to an extra quarter of an hour to get to the station or the airport.

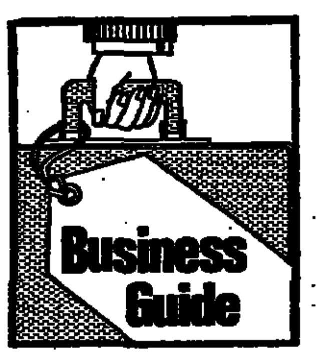
Taxis are numerous, though it is impossible to flag one down on the street. Regular taxi stands can be found at the station or next to the main post office in the Avenue Monterey. The main firms are City-Taxis on 48 00 58 or Taxis-Colux on 48 22 33.

A taxi from the airport to the city centre costs about LFr 500 and takes about 15 minutes. A regular bus service runs between the airport and the station—closer to the night clubs than the banks—and costs LFr 120.

Major hotels run a regular *minibus* service from the airport, free for hotel guests though a small charge is made for non-residents.

Main hotels in Luxembourg city:

Le Royal, 12 Boulevard Royal (Tel 41616, Telex 2979). A new five star hotel, the only one in the centre. Sauna and small



swimming pool. Good restaurant and buffet breakfast, cocktail bar and night club.

Cravat, 29 Boulevard Roosevelt (Tel 21975, Telex 2846). An older, family run hotel with four stars and old-world charm. Excellent views and reputable restaurant and wine cellar. Close to all the banks.

Near Luxembourg city:

Intercontinental, Rue Jean Engling (Tel 43 78 1, Telex 3754). Five stars. Situated on a hill *outside town, with excellent* views. About 15 to 20 minutes from town or the European Parliament. Health club with swimming pool. Good restaurants.

Novotel-Alvisse Parc Hotel, 120 Route d'Echternach (Tel 43 56 43, Telex 1418). Four stars. About 10 minutes outside town by car. Surrounded by woods, with own swimming pool.

Aerogolf Sheraton, Route de Treves (Tel 34571, Telex 2662). A modern, four-star hotel in its own grounds next to the airport and, as the name suggests, close to the golf course. About 15 minutes from town by car, but the hotel runs regular minibuses. Own jogging path and swimming pool.

Holiday Inn, Rue de Fort, Centre Europeen (Tel 43 77 61, Telex 2751). One of the chain. Four stars and directly opposite the European Parliament and the European Court of Justice.

Country hotels:

Simmer, 115 Route de Moselle, Ehnen (Tel 76030). Delightful hotel on banks of the Moselle, in the heart of Luxembourg's vineyards. Favoured by diplomats and Luxembourgers alike. The restaurant is rightly renowned, with excellent fish and a good wine cellar which has won it a Michelin star. About an hour's drive from Luxembourg city.

Restaurants

LUXEMBOURG City is an excellent place to eat and drink. But the city centre restaurants cater for the visiting businessmen, and are priced accordingly. It is often worth travelling outside the town for a meal.

LUXEMBOURG CITY:

St Michel, 32 Rue de l'Eau (Tel 23215). Tucked into the old town, the St Michel has won two Michelin stars. Food is undoubtedly good and service attentive, but pricy. Booking essential.

Bonnevoie, 138 Rue Albert Unden (Tel 47 22 59). No Michelin stars, and unlikely to have any as the owner has cut relations with Michelin after what he considered unfair grading. But the French couple who run the restaurant produce very good nouvelle cuisine in a relaxed atmosphere with a lovely view. Booking recommended.

OUTSIDE TOWN:

Hiertz, 1 Rue Clairefontaine, Diekirch (Tel 803562). Another two Michelin stars. "Mother Helen" turned the Hiertz into the centre of Luxembourg gastronomy. In the four years since Antonio Pretti took over, traditions have been maintained. Traditional French cooking of the finest, and there are always rooms in the hotel. Booking recommended. About 50 minutes from Luxembourg city.

La Bergerie, at Geyersdorf (Tel 79464). Two Michelin stars. About five kilometres before Echternach, fine nouvelle cuisine in an old farm setting, deep in the forest. Booking essential. About an hour from Luxembourg centre.